



**SHAPING
INDUSTRIES,
EMPOWERING
LIVES**

20
23

Annual Report
Treet Corporation Limited



SHAPING
INDUSTRIES
EMPOWERING
LIVES



Medical Services



Pharmaceutical Products

Chemical Trading

Corrugation

Double Edge Blades

Shaving Razors

Automotive Batteries

Soaps

E-Commerce Services

Energy Storage Batteries

Sheet Metal Components

Alloy Wheels

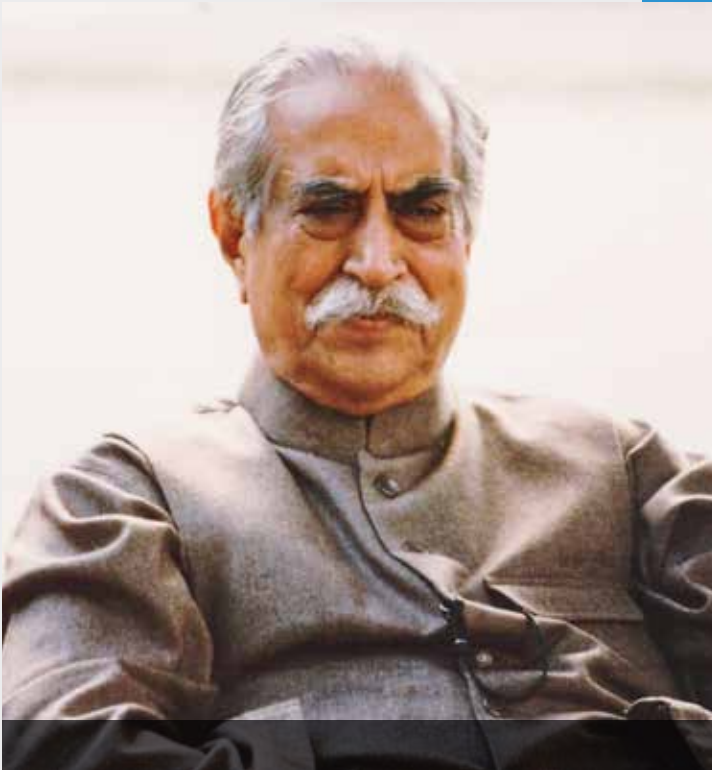
Bikes

SHOP





IN MEMORIAM



SYED WAJID ALI (Late)

(20 DECEMBER 1911 – 14 JUNE 2008)

“

... and the
elements so
mixed in him,
that nature might
stand up and say
to all the world,
‘This was a Man!’”

William Shakespeare

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COMPANY INFORMATION

Board of Directors (as on June 30th, 2023)

Mr. Imran Azim

(Chairman/ Non-Executive Director)

Syed Shahid Ali

(Chief Executive Officer)

Syed Sheharyar Ali

(Executive Director)

Dr. Salman Faridi

(Independent Director)

Mr. Munir Karim Bana

(Non-Executive Director)

Dr. Haroon Latif Khan

(Independent Director)

Ms. Sidra Fatima Sheikh

(Female/Independent Director)

Board of Directors (After Election w.e.f July 01st, 2023)

Syed Shahid Ali

(Chairman/ Non-Executive Director)

Syed Sheharyar Ali

(Chief Executive Officer)

Mr. Imran Azim

(Non-Executive Director)

Dr. Salman Faridi

(Non-Executive Director)

Mr. Munir Karim Bana

(Non-Executive Director)

Dr. Haroon Latif Khan

(Independent Director)

Ms. Sidra Fatima Sheikh

(Female/Independent Director)

Mr. Ahmad Shahid Hussain

(Independent Director)

Audit Committee

Ms. Sidra Fatima Sheikh (Chairperson)

Mr. Imran Azim (Member)

Dr. Salman Faridi (Member)

Mr. Munir Karim Bana (Member)

Mr. Ahmad Shahid Hussain (Member)

Human Resource & Remuneration Committee

Syed Shahid Ali (Chairman)

Syed Sheharyar Ali (Member)

Mr. Imran Azim (Member)

Dr. Haroon Latif Khan (Member)

Chief Executive Officer

Syed Sheharyar Ali

Group Chief Financial Officer

Mr. Mohammad Mohtashim Aftab

Group Company Secretary & Head of Legal

Ms. Zunaira Dar

Group Head of Internal Audit

Mr. Muhammad Ali

Auditors

M/s Yousuf Adil

Chartered Accountants Lahore

Legal Advisors

Asad & Asad Attorney At Law

Share Registrar

Corplink (Private) Limited

Wing Arcade, 1-K Commercial, Model town, Lahore

Tel: 042-35916714

Fax: 042-35839182

Bankers

Al-Baraka Bank Pakistan Limited

Meezan Bank Limited

National Bank of Pakistan

Soneri Bank Limited

Askari Bank Limited

MCB Bank Limited

Habib Bank Limited

Samba Bank Limited

United Bank Limited

JS Bank Limited

Habib Metropolitan Bank Limited

Bank Islami Pakistan Limited

Allied Bank Limited

Bank Alfalah Limited

Bank of Punjab

Silk Bank Limited

MCB Islamic Bank Limited

Bank Al Habib Limited

Faysal Bank Limited

Dubai Islamic Bank Pakistan Limited

Registered Office

72-B, Industrial Area, Kot Lakhpat, Lahore.

Tel: 042-35830881, 35156567 & 35122296

Fax: 042-35114127 & 35215825

E-Mail: info@treetonline.com

Home Page: www.treetcorp.com

CHAIRMAN'S REVIEW REPORT



In the fiscal year 2022-2023, we conducted a comprehensive review of the Board and its committees through our internal Board Evaluation Process, aligning it with globally accepted practices for assessing Board performance. Moreover, we monitored our financial reporting framework to ensure strict compliance with the latest regulatory standards and industry best practices.



Dear Shareholders,
I am pleased to present the company's annual report for the year ended June 30, 2023 and to comment on the Board's effectiveness in guiding the Company towards achievement of its strategic goals.

The current members of the Board possess extensive expertise in various key areas, including business management, strategy, finance, corporate governance, legal matters, and administration. Furthermore, each member of the Board is well aware of their fiduciary responsibilities to the Company and its shareholders.

As the Chairman of the Board, I ensure that all directors actively engage in discussions concerning strategic matters and governance issues. We prioritize soliciting input from independent directors (the directors representing minority

shareholders) and those directors with pertinent experience in these areas. Their insights are thoroughly consulted and given significant weight before any decisions are made.

The Board has established well-defined terms of reference for its committee's, and members are appointed based on their specific skills and experience relevant to each committee's requirements. Additionally, both the Board and its committees convene regularly throughout the year, diligently fulfilling their governance roles by thoroughly deliberating on every matter presented to them. In the fiscal year 2022-2023, we conducted a comprehensive review of the Board and its committees through our internal Board Evaluation Process, aligning it with globally accepted practices for assessing Board performance. Moreover, we

monitored our financial reporting framework to ensure strict compliance with the latest regulatory standards and industry best practices.

On behalf of the Board, I express our gratitude to all Treet employees and partners for their unwavering dedication throughout the year, as well as to our shareholders and customers for their continuous support. We eagerly anticipate a successful 2023-2024.

A handwritten signature in black ink, appearing to read 'Syed Shahid Ali', written over a horizontal line.

Syed Shahid Ali
Chairman

MESSAGE FROM GROUP CEO



Despite the prevailing headwinds, our proactive management approach resulted in a consolidated Net Sales of Rs. 23,352 million, marking a remarkable YOY increase.



Dear Shareholders,
As we reflect on FY 2023, I am filled with immense pride and gratitude. In a year marked by challenges, our group not only weathered the storm but also achieved consistent growth across all our ventures. Our unwavering commitment to our strategy of deleveraging and prioritizing shareholder value has been our guiding light. While the global economic landscape faced significant disruptions, with many nations, including ours, grappling with inflation, increased interest rates, and other economic pressures, we remained resilient. Our diversified portfolio and agile structure enabled us to promptly respond to shifting consumer needs and market demands, both domestically and globally. Our adaptability, coupled with our pledge to "exceed shareholder expectations" and our embrace of digital transformation, has solidified our leadership position in the industry.

Key milestones, like the successful demerging of the battery segment from FTMM and the launch of the Daewoo Heavy Vehicle battery (DHV), underscore our team's relentless drive and innovation. Despite the prevailing headwinds, our proactive management approach resulted in a consolidated Net Sales of Rs. 23,352 million, marking a remarkable YOY increase.

As we gaze into the horizon, our commitment to product innovation, quality enhancement, strategic sales and marketing, meticulous operational planning, and cost efficiency fills us with hope. We are poised and confident that our focused efforts will further amplify our sales, boost profitability, and refine our liquidity management, all while reducing leveraging across the corporation.

To our invaluable stakeholders, business partners, customers,

shareholders, retailers, distributors, and of course, our Board of Directors, Management, and devoted employees: your unwavering faith in our brands and dedication to our vision is our driving force.

I am profoundly grateful for the Treet Corporation team's relentless effort and commitment. United, we continue to break new ground and set industry gold standards.

Stay inspired, and let's continue to flourish together!

Syed Sheharyar Ali
Chief Executive Officer

BOARD OF DIRECTORS



Syed Shahid Ali
Chairman/Non- Executive Director

Mr. Syed Shahid Ali is a highly accomplished business executive with extensive management experience, currently serving as the Chairman of the Treet Corporation Limited since 1995. In addition to his role as Chairman, Mr. Ali serves as a board member for various companies, including Packages Limited, IGI Insurance Limited, and Treet Battery Limited.

Throughout his career, Mr. Ali has demonstrated strong leadership skills, playing a crucial role in driving the growth and success of Treet Corporation Limited. He is passionate about the company's success and has a vision for its future that he continues to drive. Mr. Ali is also actively engaged in social and cultural activities and holds senior positions in several hospitals, demonstrating his commitment to giving back to the community.

Mr. Ali holds a Master's Degree in Economics and Graduate Diplomas in Development Economics from Oxford University, as well as a Diploma in Management Sciences from the University of Manchester. His academic qualifications have provided him with a solid foundation in economics and management, which he has applied throughout his career, shaping the company's future with his unwavering commitment and leadership.



Syed Sheharyar Ali
Chief Executive Officer

After concluding his academic pursuits, Mr. Syed Sheharyar Ali embarked on his professional journey with Treet Corporation Limited in 2001. At a remarkably young age, he assumed the role of Director, marking his spot among the youngest to occupy this position within the company. His steady ascent through the corporate ranks has led him to his current role as Chief Executive Officer (CEO) of Treet Corporation Limited, where he expertly supervises an eclectic portfolio of companies spanning sectors from manufacturing and healthcare to information technology, automobiles, sports, and music.

In his capacity as CEO, Mr. Ali continually strives to build on the prestigious heritage of Treet Corporation Limited while also guiding its future trajectory. With a relentless passion for innovation and operational enhancements, he remains committed to upholding the core values that define the company.

Mr. Ali's academic foundation was laid at Saint Louis University, USA, where he earned a Bachelor of Business Administration in Sales and Marketing Operations. Upon joining Treet Corporation Limited, his visionary leadership and uncanny knack for business excellence have been amply demonstrated in his role as CEO. With an unwavering focus on innovation, Mr. Ali continues to set new benchmarks in the corporate landscape.



Mr. Imran Azim
Non- Executive Director

Mr. Imran Azim is a highly experienced professional who has served in the financial, asset management, and manufacturing sectors for over four decades. Having worked with some of the largest and most reputable companies in his career, he brings a wealth of expertise to the board of Treet Corporation Limited.

Currently, Mr. Azim serves on the board of Habib Asset Management Limited, Treet Holdings Limited, First Treet Manufacturing Modaraba, and Global Arts Limited. His deep knowledge and extensive experience make him an invaluable asset to Treet Corporation Limited and its leadership team.



Dr. Salman Faridi
Non- Executive Director

Dr. Salman Faridi is a distinguished Independent Director and Board Member at Treet Corporation Limited. He brings with him over two decades of medical experience from the UK, Middle East, and Pakistan, and currently serves as the Medical Director of Liaquat National Hospital, one of Pakistan's largest private healthcare institutions.

As a fellow of the Royal Society of Medicine, Dr. Faridi has been appointed to several key positions in the healthcare industry, including standing member of the Pakistan Standard and Quality Authority for Healthcare Issues and a member of the corporate syndicate for MBA in Healthcare Management at the Institute of Business Management in Karachi. He is passionate about healthcare management and has been serving as a member of the advisory board for the formulation of national guidelines on the prophylaxis and management of venous thromboembolism (VTE). Dr. Faridi is also a board member of Renacon Pharma Limited.

Dr. Faridi graduated from Dow Medical College and obtained his FRCS from the UK in 1983. His extensive medical experience and qualifications have enabled him to make significant contributions to the healthcare industry in Pakistan and beyond.



Mr. Munir K. Bana
Non-Executive Director

Mr. Munir K. Bana serves on the Board of Treet Corporation Limited and its affiliated companies. He has over 25 years of experience on the Board of Loads Limited. He started as Director of Finance and later became Chief Executive of the Corporation.

Mr. Bana's career highlights include serving as Finance Director for multinational companies Parke-Davis & Boots, a multinational company, for 18 years. He has been nominated by the Prime Minister as Honorary Chairman of Karachi Tools, Dies & Moulds Centre, and has been elected as Chairman of the Pakistan Association of Automotive Parts & Accessories Manufacturers. He is a proponent of public-private partnerships and has been actively involved in initiatives to develop the automotive industry in Pakistan.

In addition to being a chartered accountant and fellow of the Institute of Chartered Accountants of Pakistan, Mr. Bana holds a Bachelor's Degree in Commerce from the University of Karachi. Mr. Bana's long-standing tenure as a Board member of Treet Corporation Limited and its associated companies since 2008 is a testament to his exceptional leadership and financial expertise.



Dr. Haroon Latif Khan
Independent Director

Dr. Haroon Latif Khan brings a wealth of experience in healthcare management to Treet Corporation Limited as an Independent Director on its Board. He has been associated with the Lahore Institute of Fertility & Endocrinology (LIFE) as a Clinical Embryologist since 2006, eventually becoming the Lab Director and Chief Executive of the clinic.

He is also a Board Member of the Asia Pacific Initiative on Reproduction (ASPIRE) and a General Secretary of the IVF Society of Pakistan and the Pakistan Society of Andrology & Sexual Medicine (PSASM).

Dr. Khan holds a Fellowship in Sexual Medicine from Holland and an Executive Education Degree in Management of Healthcare Delivery from Harvard Business School, Boston, USA. With his extensive experience and expertise, he plays a vital role in contributing to the growth and success of the company



Ms. Sidra Fatima Sheikh
(Female/Independent Director)

Ms. Sidra Fatima Sheikh is an accomplished Independent Director who brings invaluable expertise and experience to the board. She is a partner at The Sheikh Partnership law firm, where she has served since 2004. Additionally, she serves on the Managing Committee of Gulab Devi Hospital and Al-Aleem Medical College.

Ms. Sheikh has a notable track record of success in various fields and has pursued her legal education with CPE/PGDL and LPC from BPP Law School, London, underscoring her commitment to the legal profession. In 2001, she was enrolled as a Solicitor of the Supreme Court of England & Wales, and more recently, as an advocate of the Supreme Court of Pakistan.

Ms. Sheikh is a graduate of The London School of Economics and Political Science. She has also trained with The Oberman Partnership Solicitors (now Kerman & Co), London.



Mr. Ahmad Shahid Hussain
Independent Director

Mr. Ahmad Shahid Hussain serves as an Independent Director on Treet Corporation's Board, leveraging his expertise and strategic insights to contribute to the growth and success of the company.

He is the Director and Chief Strategy Officer of Service Sales Corporation (Pvt.) Limited (SSC), Lahore, since March 2011. SSC is a prominent company with a network of 350 shoe outlets operating under the brands NDURE and SHOE PLANET, along with a thriving B2B business under the brands Calza and Liza. SSC also boasts two large footwear manufacturing plants in Lahore, solidifying its position as a key player in the footwear sector in Pakistan.

With a strong passion for technology, Mr. Hussain holds a Bachelor's and Master's Degree in Computer Engineering from Carnegie Mellon University. He brings a wealth of experience from his four-year tenure at Microsoft Corporation, where he worked at their headquarters in Redmond, WA, USA.

Within SSC, Mr. Ahmad Shahid Hussain heads the B2B business and leads the online e-commerce operations. In addition to his role at SSC, he serves as an advisory board member for the National Incubation Center Lahore at LUMS, demonstrating his commitment to fostering innovation and entrepreneurship.

MANAGEMENT TEAM



Standing (L to R)

| | |
|------------------------|---------------------------------|
| Sohaib Chaudhry | Group Head Innovation |
| Muhammad Ali | Group Head Internal Audit |
| Farhan Athar | Group Head Supply Chain |
| Imran Aziz | Chief Operating Officer Packsol |

Seated (L to R)

| | |
|---------------------------|--|
| Zunaira Dar | Group Head Legal & Company Secretary |
| Tariq Hussain Khan | Group Head Human Resources |
| Khurram Iqbal | Chief Financial Officer Treet Battery Ltd. |



Dr Salman Shakoh
Chief Executive Officer
Renacon Pharma Ltd.



Standing (L to R)

| | |
|-------------------------------|--|
| Syed Sheharyar Ali | Group Chief Executive Officer |
| Shahid Zia | Chief Operating Officer Blades, Razors & Soaps Sales |
| Mubashir Amjad Hussain | Group Chief Information Officer |
| Shoaib Zafar | Chief Operating Officer Treet Battery Ltd. |

Seated (L to R)

| | |
|----------------------------|---|
| Ehsan-ul-Haq | Chief Operating Officer Blades & Razors Manufacturing |
| Abdul Wahid Qureshi | Chief Operating Officer Renacon Pharma Ltd |
| Mohtashim Aftab | Group Chief Financial Officer |

To set global standards in diverse industries, pioneer sustainable innovation and quality, and drive advancements in clean energy, eco-friendly materials, and revolutionary healthcare, fostering a healthier society and a greener planet.

VISION MISSION

Deliver superior-quality products across all industries in which we operate, while ensuring growth, shareholder value, and social impact through operational excellence.

OUR VALUES

"RIPE IT T" symbolizes our readiness to live by our value system. As an organization, we have matured, and our values now serve as the inspiring and solid pillars that guide us in our work. This presents a ripe opportunity for "T" (Treet) to achieve greater milestones towards sustainable growth and profitability.

Respect
Integrity
Passion
Empowerment

Innovation
Transparency

TeamWork

CODE OF CONDUCT

We are all defined by the actions we take. They reflect our principles and values, and if we are consistent with them, they let people know what they can expect from us. Our Code of Conduct reflects our core principles – Safety, Integrity and Fairness – and puts them into practice. It explains the expectations and responsibilities within the company and those we do business with. We all must live by it, because it is a condition of working with, and for, Treet.

A BRIEF OVERVIEW OF OUR CODE:



DECADES-LONG JOURNEY



Only assembler of FORD Cars in South Asia

Khopra Oil Mills.

Wazir Ali Industries (Vegetable Ghee Production)



Incorporation of Modaraba (FTMM)

Launched Industrial Blades

Counted among first 10 recipients in achieving ISO certification in Pakistan



Manufacturing Corrugated Packaging (Packsol)

Started assembling 3/2 wheeler bikes



1954

TCL started manufacturing of Carbon Steel Blades at HYD Plant



1984

Commenced Production of Stainless Steel Blades at LHR Plant



1986

Started Manufacturing Disposable Shaving Razors

1996



Launched Bathing Soaps

1996



Began Exporting Blades and Razors



2008

Launched Disposable Barber Razor (Ustra)



2017

TCL acquired shares in RPL entering pharmaceutical industry



2018

Started manufacturing Car and UPD Batteries (Daewoo Battery)

OUR LEADERSHIP

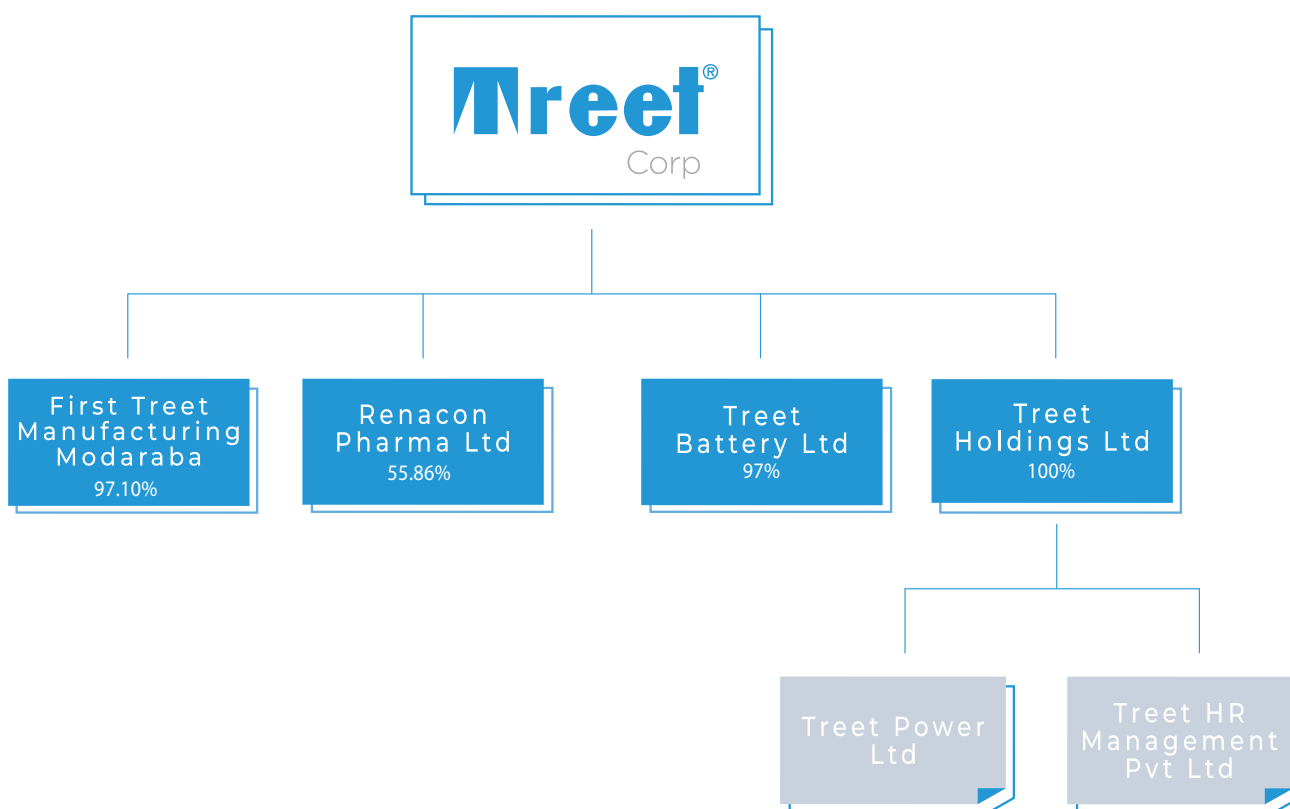
Our leadership behaviours add the next defining component to the culture we want to build in Treet. They set the standard for how we lead in our company. They challenge, inspire and elevate our leaders who endeavour to live by them every day. Leaders play an essential part in creating that culture of collaboration and community that will help lead our people from good to great performance. We have outlined nine leadership behaviours under 'Performance Leadership', 'Organizational Leadership' and 'Personal Leadership'.

| Performance leadership | | |
|---------------------------|-------------------------------|----------------|
| Creates customer value | Drives operational excellence | Leads change |
| Organizational leadership | | |
| Builds connections | Inspires others | Develops teams |
| Personal leadership | | |
| Sets the example | Develops self | Engages others |



GROUP OVERVIEW

ORGANOGRAM & COMPANY DETAILS



| Companies | Symbol | Shares held by | | | |
|---------------------------------------|--------|----------------|-------|-----------|----------|
| | | TREET | THL | DIRECTORS | OUTSIDER |
| Treet Holdings Limited | THL | 100.00% | | | |
| Treet Power Limited | TPL | | 100% | | |
| Treet HR Management (Private) Limited | THRM | | 100% | | |
| First Treet Manufacturing Modaraba | FTMM | 97.11% | 2.22% | 0.002% | 0.68% |
| Renacon Pharma Limited | RPL | 55.86% | | 38.71% | 5.43% |
| Treet Battery Limited | TBL | 97% | 2% | | |

KEY FACTS

BLADES & RAZORS



01 Domestic Market Share

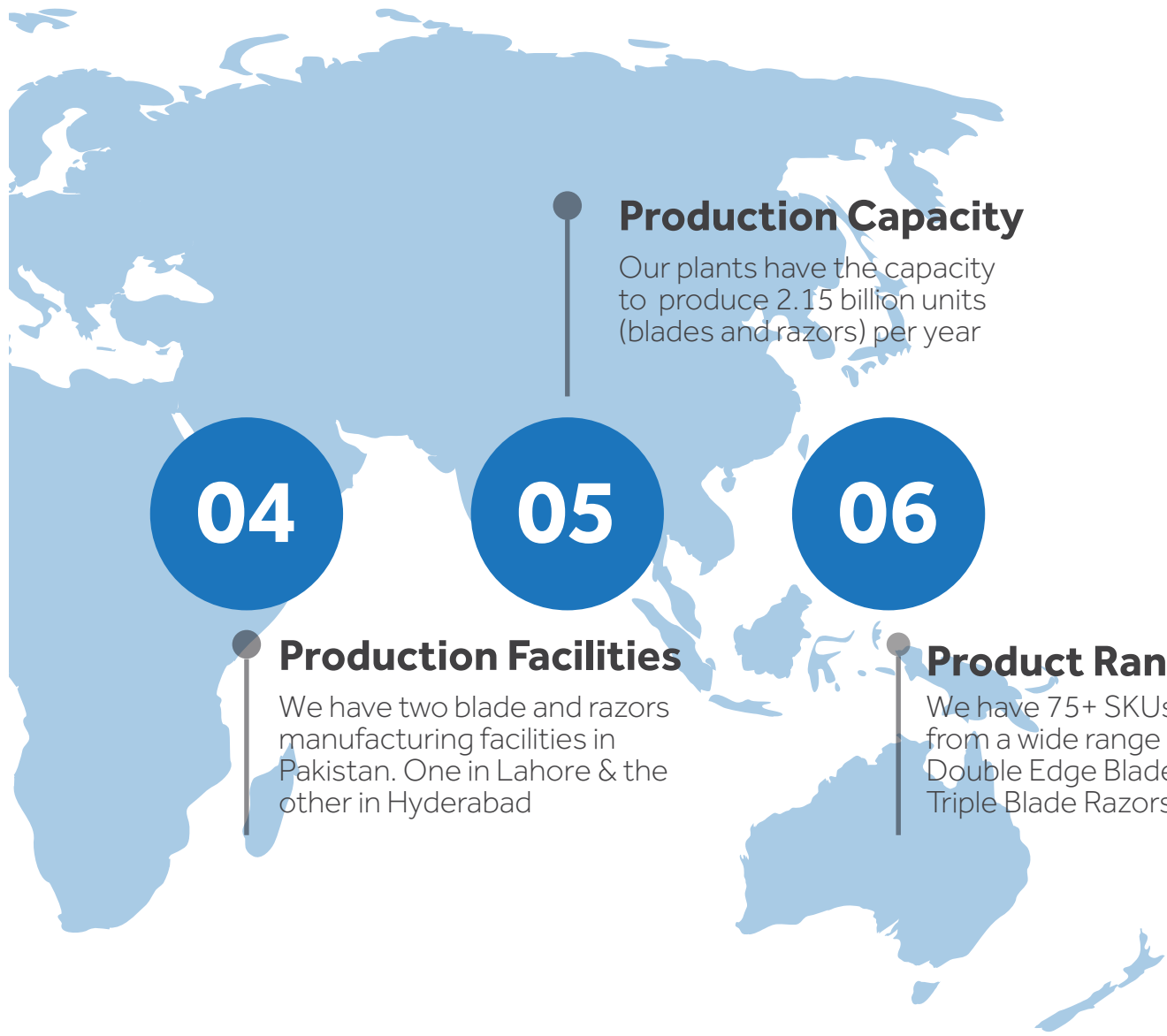
We have 85% market share of blades in Pakistan

02 Export Presence

We are exporting to 45+ countries across the globe in 6 continents

03 Plant Certifications

Our blade and razor manufacturing facilities are ISO 9001: 2015 certified since 1997



04

Production Facilities

We have two blade and razors manufacturing facilities in Pakistan. One in Lahore & the other in Hyderabad

05

Production Capacity

Our plants have the capacity to produce 2.15 billion units (blades and razors) per year

06

Product Range

We have 75+ SKUs starting from a wide range of Double Edge Blades to Triple Blade Razors

BUSINESS UPDATES

BLADES & RAZORS - MANUFACTURING



Ehsan-ul-Haq

Chief Operating Officer
Blades & Razors - Manufacturing

Treet Corporation Limited (TCL) journey in razor blade manufacturing commenced in 1954 when operations were initiated at the carbon steel blade plant in Hyderabad, Sindh. In significant stride towards modernization and quality, a cutting-edge razor blade facility was established in Lahore in 1984. This state of the art plant was built to produce premium stainless steel double edge (DE) blades, disposable razors, and system razors, highlighting the unwavering commitment to excellence.

The DE blade currently holds an impressive 85% market share within the local market. Furthermore, we take immense pride in contributing substantially to the nation's foreign exchange reserves by exporting products to more than 40 countries worldwide, securing a position among the top 10 global players.

At the core of TCL's manufacturing philosophy lie two foundational principles: quality and customer satisfaction. These guiding principles are woven into the very fabric of manufacturing activities. To emphasize dedication to quality, both of our manufacturing facilities have earned ISO 9001

Quality Management System (QMS) certifications. The products have achieved prestigious CE-Mark and REACH certifications. This distinguished recognition sets the company apart as one of the select razor blade manufacturers to achieve these product certifications. Operations are conducted under stringent compliance with globally acknowledged blade and razor manufacturing practices and standards.

Recognizing the discerning nature of consumers worldwide when it comes to products used for hygiene, beauty, and grooming, stringent quality control measures have been implemented at every stage of the manufacturing process. Our laboratories are equipped with cutting-edge equipment for measuring tip thickness spread and studying blade protrusion. In a move to further elevate the quality management, the traditional quality management system has been digitised. This not only enhances the value of daily management activities but also serves as a repository of technical knowledge that strengthens the team's capabilities. These developments empower TCL to consistently deliver high-quality shaving products that cater to the emerging needs of both local and global markets. The dedication to quality management and technological advancements ensures a competitive edge in the trade, firmly establishing Treet as a trusted name in the shaving industry.

The importance of a skilled workforce is recognized. The adoption of customized Skill Matrices has helped in Multi Skilling initiatives, empowering employees to adapt to various roles within the organization, ensuring operational flexibility. To equip executives for future roles, the company has recently launched the "Management Trainee Program" for new entrants and the "Young Leaders Development Program" for middle management. Technical managers are also regularly attending advanced operation and quality management workshops of AOTS-Japan. Drawing inspiration from Japanese practices, lean manufacturing principles have been implemented across operations. For instance, the adoption of 5S methodology ensures a clutter-free, efficient, and organized workplace. This practice has;

BUSINESS UPDATES

BLADES & RAZORS - MANUFACTURING

- Resulted in a zero-accident year, emphasizing the importance of a safe and healthy work environment.
- Strengthened our sustainability efforts, focusing waste reduction, enhancing productivity and efficiency in our manufacturing processes.

Alongside this, Total Productive Maintenance (TPM), another Japanese concept has also been introduced, which has played a crucial role in minimizing machinery breakdowns and improving overall equipment effectiveness (OEE). Now, digitalization channels have allowed us to monitor OEE in real-



time, providing insights into equipment performance and identifying areas for improvement. This has led to consistent enhancements in our production capacity. Through OEE ratings for the machines, the engineering services departments have also achieved significant reductions in mean time to repair (MTTR), ensuring seamless operations. Moreover, Six Sigma principles have been integrated to enhance products' quality further. By identifying and reducing process variations, products are consistently produced to meet the highest standards of precision and quality. These practices have contributed to minimizing waste, optimizing processes, and maximizing efficiency. As a result, reductions in production cycle times and resource utilization have been achieved.

Recently, there has been a transition from traditional Sales and Operational Planning (S&OP) to Integrated Business Planning (IBP), aligning our strategic objectives, financial goals, and operational execution seamlessly. This strategic shift is enhancing agility in responding to market dynamics by;

- Continuous monitoring of Work-in-Progress (WIP) as per set limits. This real-time visibility into WIP levels ensures optimal resource allocation and minimizes bottlenecks.
- Streamlining operations through Enterprise Resource Planning (ERP) data visualization. The initiative has supported data accuracy leading to informed decision making.
- Real-time monitoring of market trends and preferences to stay ahead of industry.
- Integrate data analytics into decision-making processes for more agile and informed strategies.

In conclusion, commitment to excellence in manufacturing, dedication to customer satisfaction, and resilience in the face of challenges define Treet's journey. Sincere appreciation is extended to the top management, employees, customers, and suppliers for their unwavering support, guidance, and tireless efforts. With such collective synergy and a focus on core strengths, confidence in making significant progress in the years to come is unwavering.



BUSINESS UPDATES

BLADES, RAZORS & SOAPS - SALES & MARKETING



Shahid Zia

Chief Operating Officer
Blades, Razors & Soap Sales

Treet Corporation Limited's (TCL) Sales and Marketing Division plays a pivotal role in the company's operations in terms of revenue generation and development of brand equity. It is responsible for both local and export sales of razor blades and disposable razors. Additionally, it oversees the manufacturing activities of the company's soap business and manages its local sales. The National Sales Office serves as the central hub for nationwide sales, facilitated by an extensive distribution network with over 400 distributors covering towns and cities across the country. This ensures nationwide accessibility to the products. Meanwhile, the export department diligently handles sales across forty countries worldwide, aiming to further enhance export sales by exploring new territories.

In Fiscal year 2022-23, Treet Corporation achieved commendable results despite facing significant challenges both locally and globally. The overall

local sales for the year stood at Rs. 7.87 Billion at Company Price (including GST), marking a 30% increase from the previous year. Notably, the hygiene razor category showed promising growth: volume for hygiene razors rose by 2%, while the value surged by 53% from the last year. Treet Hygiene Razor maintained its position as the national best-selling brand, followed by TEC-II and TRIM-II XL razors. While the devaluation of the Pakistani Rupee against the US Dollar favored exporters, the nation still wrestled with high inflation and a stringent monetary policy. These factors overshadowed its overall export prospects and economic recovery. Nevertheless, in 2022-23, the export team achieved sales amounting to USD 14.3 Million.

Soap production primarily depends on imported raw materials. Stricter government regulations on purchases from the US, coupled with fluctuations in the USD/PKR exchange rate, posed challenges throughout the year. To counteract these issues, price increments were introduced to improve margins. Despite this, soap sales reached 2470 tons, valued at Rs. 988 Million, marking a 102% increase from the previous year.

In 2022-23, there was a significant uptick in the acceptance and use of disposable razors within the local market. Factors such as increased barbering costs, shifts in shaving habits, and a move towards self-shaving or the use of hygiene razors over traditional Double Edge blades contributed to this trend. However, as the demand for disposable razors grew, preferences for Double Edge Blades, especially the carbon steel variants produced in TCL-Hyderabad, waned in the local market. For the second consecutive year, Double Edge Blades experienced a downturn in local sales. A combination of factors, such as rising barber charges, a growing beard trend among youth, the influx of high-quality, affordable smuggled blades in the market, and urban barbers opting for hair trimmers, all contributed to the reduced consumption of Double Edge blades.

BUSINESS UPDATES

BLADES, RAZORS & SOAPS - SALES & MARKETING

In 2022-23, Pakistan encountered economic challenges including supply chain disruptions, high inflation, and adverse global conditions. In spite of these obstacles, production continued smoothly and sales targets, especially in middle and lower-income segments, were achieved. The company employed strategic sales and marketing tactics to counteract competition from the unorganized sector. However, inflation, driven by increasing food and energy prices, significantly impacted the purchasing power of consumers. Furthermore, the depreciation of the Pakistani rupee, coupled with heightened interest rates and GST., curbed economic activities. Despite these challenges, the dedication, resilience,



and effective strategies of both the local and export teams played an integral role in sustaining operations and achieving sales targets.

The disposable razors market shows promising growth prospects. To capitalize on this, the company plans to develop next-generation shaving razors that cater to a wider consumer base. As TCL progresses, it remains devoted to innovation, excellence, and growth. The team is optimistic about navigating the dynamic business environment and strengthening its position in the coming years. The outstanding sales achievements owe much to the collective efforts of the TCL team at every level. Their dedication ensured smooth operations even

accounts, and finance departments, in particular, provided invaluable support and guidance.

In conclusion, TCL extends its heartfelt gratitude to its valued stakeholders for their unwavering trust and support. Their partnership remains pivotal to the company's journey, and their continued trust is deeply appreciated.



BUSINESS UPDATES

TREET BATTERY LIMITED



Shoab Zafar

Chief Operating Officer
Treet Battery Limited

Daewoo Battery, a product of Treet Battery Limited, has swiftly risen to prominence as one of the most dependable and rapidly expanding brands in the auto and backup battery sector since its inception in 2018. It has carved out a distinct presence in the market by being recognized as a top-tier battery brand, renowned for its unwavering reliability and the trust it instills in end-users. This reputation is attributed to a cutting-edge manufacturing facility, situated in Faisalabad, which is ISO 9001 & 14001 certified, and a strategic collaboration with Korean technology partners.

The Battery business is fully committed in continuing to build upon its strengths of operations, quality management, responsible governance, and sustainability. We specialize in manufacturing Deep Cycle Batteries for power backups & energy storage applications and Maintenance-Free Batteries for automobiles, with a strong emphasis on maintaining product quality. Notably, we proudly supply Sealed Maintenance-free (SMF) automotive batteries to prominent OEMs in the country, such as Hyundai, KIA, MG, Proton, Changan, Peugeot, and Isuzu.

Fiscal year 2022-23 marked an important chapter in the success story of Daewoo Battery, solidifying its position as a prominent and premium brand with an impressive 69% increase in net sales revenue compared with the previous year. The volume growth remained strong at 8%. This remarkable achievement translates to a Compound Annual Growth Rate (CAGR) of 24.6% in volume since 2019. Moreover, this marks the first time since our business inception that we have achieved profit from operations, representing a staggering 323% increase over the last year.

SMF (Sealed Maintenance Free) battery segment growth clocked at 9% against the previous year while the backup battery segment grew by a modest 5% owing to reduced electricity load shedding in the typical season (March-June) resulting into lower industrial production. The shutdowns and reduced output of the Large Scale Manufacturing (LSM) sector contributed to a relatively better electricity supply to domestic users.

On the sales front special emphasis was placed on above-the-line and below-the-line marketing activities supporting conversion of prominent distributor shops into Daewoo branded model shops in Lahore, Islamabad, Rawalpindi, and Peshawar boosting brand visibility. Sales staff and top management directly engaged with markets across the country with a purpose-led intent to enhance dealer network engagement and expand the brand's footprint in trade. A powerful end-user engagement campaign was also successfully launched in the form of free battery check-ups at notable high footfall locations including Packages Mall, Emporium Mall, and at prominent petrol pumps in collaboration with Total Parco Ltd.

Our accomplishments are a direct result of the unwavering dedication of the team, the trust placed in us by our esteemed customers, and a relentless commitment to excellence in both our products and services.

Throughout the fiscal year, Battery business confronted an array of significant challenges that had a major impact on its operations. These challenges included unprecedented high financing

BUSINESS UPDATES

TREET BATTERY LIMITED

costs, stemming from economic and political instability. Import curbs further complicated matters by disrupting the supply of essential materials. Additionally, the sharp devaluation of the local currency against the dollar exacerbated the company's difficulties, making imports considerably more expensive. Rising inflation rates and a concurrent decrease in consumer purchasing power posed additional hurdles. Notably, input costs, with Lead prices at the forefront, surged by almost 60% compared to the preceding year.

The fiscal year presented a demanding economic landscape in Pakistan, characterized by ongoing



economic and political instability, heightened inflation, and a sharp depreciation of the national currency. These factors collectively created a challenging business environment, especially impacting the LSM sectors, including textiles, automobiles, pharmaceuticals, and petroleum products. These sectors collectively reported a negative growth rate of almost 10%. Particularly noteworthy was the substantial downturn in the automobile industry, marked by a nearly 56% reduction in unit sales.

Despite the formidable industry-wide challenges, Treet Battery maintained its unwavering commitment to OEM partnerships, delivering high-quality products, and providing exceptional after-sales services. The company's state-of-the-art Manufacturing Plant continued to operate at optimal levels to optimize working capital and inventory, minimizing rejections and process

wastages to improve overall efficiency and output. Concurrently, cost-saving initiatives and quality improvements produced favorable outcomes, facilitated by the implementation of the TPM (Total Productive Maintenance) derived management methodology.

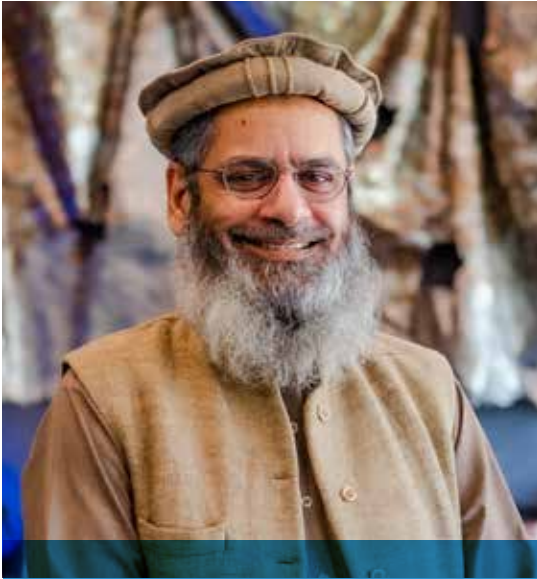
On the corporate front battery business has been demerged from First Treet Manufacturing Modaraba, all rights, liabilities and obligations have been transferred and vested in Treet Battery Limited with effect from 1st April 2023. This will allow for improved strategic focus and financing for future capital expansions.

Looking ahead, Daewoo Battery remains committed to upholding the highest standards of quality, innovation, and customer satisfaction.



BUSINESS UPDATES

PACKAGING SOLUTIONS



Imran Aziz

Chief Operating Officer
Packsol

Since inception, our commitment to superior and consistent quality, outstanding services, and ethical practices has played a pivotal role in the construction of a loyal customer base and the establishment of a strong reputation in the market for Packaging Solutions (Packsol).

Our production facility is FSSC-22000 and ISO-9001:2015 compliant while the business unit is also enlisted on the SEDEX online portal after qualifying through SMETA-4 pillar methodology audit which makes Packsol as one of the few facilities with such certifications in the business of Corrugated Boards. Our facility meets all the relevant international and local quality standards, earning the full trust of its clients and are among the top 5% of the production units. We enjoy a significant advantage over most of our competitors, boasting over a decade of successful service to the corporate sector. Several

major corporations rely on us for over 50% of their packaging needs, demonstrating their confidence in us. Our business spans various categories, including Food & Beverages, Dairy, Sports, Home Appliances, Textiles, and Garments, among others.

Some of the key customers are:

- | | | |
|------------|-----------|----------------|
| 1) PepsiCo | 2) Lotte | 3) Engro |
| 4) Shell | 5) PSO | 6) CBL |
| 7) Nippon | 8) IFFCO | 9) Rupali |
| 10) Waves | 11) Treet | 12) Pak Kuwait |

Corrugated Boxes Business exhibited remarkable financial performance, compared to the previous year. This impressive outcome can be attributed to several key strategies. We diversified the customer base to mitigate industry-specific risks and made prudent adjustments to pricing structures in response to rising costs, including those associated with raw materials and salaries. High-value client relationships were strengthened through tailored solutions such as Vendor-Managed Inventory (VMI) and Just-In-Time (JIT) service models. As an outcome of the undertaken measures, Packsol has achieved positive results, showing an increase of 14% in Operating Profit compared to the previous year.

The economic and political setbacks, along with uncertainties, have adversely affected off-take, leading to subsequent price wars. Fluctuating exchange rates, exorbitant markup rates, and rising energy, transportation, and other costs have exceeded expectations and affected the bottom line of every industry. However, our commitment to continuous improvement and plant capability enhancement remains unwavering. Our dedicated team actively pursues innovative solutions to boost efficiency and enhance production performance, resulting in cost-effectiveness and profitability. The successful transition from a gas furnace to a

BUSINESS UPDATES

PACKAGING SOLUTIONS

coal furnace has significantly reduced energy costs, positively impacting the bottom line.

Among all packaging systems, corrugated board & cartons stand out as the most environmentally friendly option, being 100% recyclable and highly efficient for long-lasting shipping packaging. It constitutes approximately 40% of the total paper consumption globally and has been a staple in industrial outfits for centuries, with no sign of waning. Pakistan's installed capacity for brown paper is estimated to be well over 1 million metric tons per year. Despite economic instability and price volatility in inputs, Packsol maintained an average collection



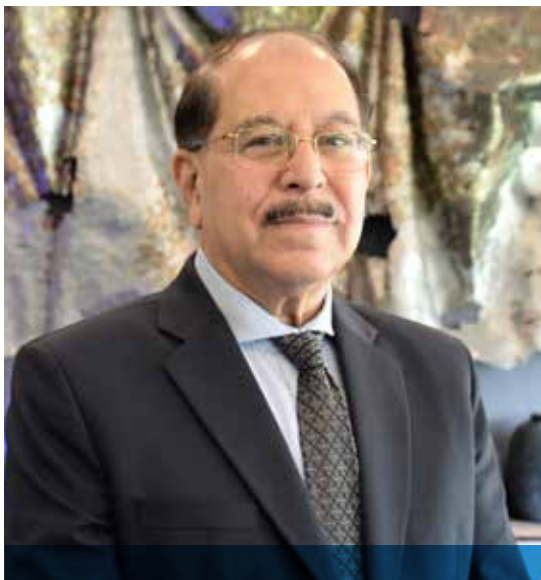
period in line with industry norms despite the challenges posed by economic instability, high price volatility in inputs, including major raw materials, energy costs, and fuel.

Looking ahead, the Packsol team is enthusiastic about harnessing the full operational potential, thanks to its firmly established customer base, a highly skilled team, and a steadfast commitment to embracing technological advancements. A promising future is on the horizon.



BUSINESS UPDATES

RENACON PHARMA LIMITED



Dr Salman Shakoh

Chief Executive Officer
Renacon Pharma Limited

Renacon Pharma Ltd (RPL), subsidiary of Treet Corporation Limited, a research-based pharmaceutical company, stands out as a pioneer in the manufacturing of high-quality powder and solution formulations of Hemodialysis Concentrates. The journey began in 1997 in Pakistan, and RPL has since become a market leader with about 65-70% of the market share. RPL has received recognition as one of the top 15-20 global companies producing Hemodialysis Concentrates worldwide in various "Global Market Reports" spanning from 2014 to 2023, published by reputable international firms.

Our diverse activities encompass the development and marketing of auto-mixers, hemodialysis disinfectants, hemodialysis cartridges, recharging

'salt tablets' for water softeners, and more. It is also in the final stages of Nutraceuticals development, particularly for renal patients. Certain products such as dialyzers, bloodlines, catheters, etc., are exported overseas under RPL's brand names, forming part of the product portfolio, with the intention of eventual production at the Renacon production facility.

RPL holds a GMP certificate from the "Drug Regulatory Authority" (DRAP) and ISO13485, ISO9001, CE1639, ISO14001 & ISO45001 certifications through SGS, EU, since 2007, enabling free sale in EU and approval by MHRA, UK. The company is preparing for additional registration of products in several countries in anticipation of significantly increased production capacity in the new FIEDMC plant (M-3 Industrial Estate Faisalabad).

RPL has witnessed a constant growth trajectory over the past many years meeting demand from existing plant which is operating at maximum capacity. To put it in perspective, in Fiscal year (FY) 2022-23 company sales were 1.067 billion rupees, marking a significant 49% growth from 715 million rupees in FY 2022-23. Furthermore, Operating Profit for FY 2022-23 amounted to 142.518 million rupees, compared to 59.929 million rupees in FY 2021-22, representing an impressive increase of 138%. These accomplishments were achieved despite numerous challenges, including static prices in 80% of tender business, substantial devaluation of Rupee, rising costs of raw and packaging materials, increased energy costs, escalating local and international freight expenses, and significant cash-flow issues due to delays in recovery from government tender business.

After facing setbacks in exports during FY 2021-22 due to the COVID-19 pandemic and the global economic downturn, despite production constraints, Renacon's export operations are now showing signs

BUSINESS UPDATES

RENACON PHARMA LIMITED

of recovery. The Company is in touch with export customers from 13 countries, including Germany, Greece, Ukraine, Russia, and six other states. The growth strategy places a strong emphasis on digital marketing and participation in international exhibitions to drive expansion.

As we are limited by our capacity to serve international customers with current production plant, in just a few months from now a transition to a new state-of-the-art production facility at FIEDMC, Faisalabad, equipped with advanced automation technology, shall take place that will significantly boost our capacity and efficiency. This expansion is primarily geared towards the international exports



market. It's important to note that this transition will adhere to international standards, making it possible for delegates from drug regulatory agencies in importing countries to conduct visits. To further augment our visibility, an upgraded multilingual website, available in English, French, Spanish, and Russian, shall be launched soon to facilitate international engagement and allow products to compete successfully with major counterparts from countries such as India, China, Malaysia, and Turkey.

In conclusion, Renacon extends sincere gratitude to all stakeholders, valued customers and bankers

for their continued support and trust in company. We look forward to the future with optimism, emphasizing our unwavering commitment to excellence, innovation, and growth. Your partnership remains pivotal in our ongoing success.



DIRECTOR'S REVIEW

We are delighted to present the Directors' Report together with the audited Financial Statements for the year ended June 30, 2023.

OUTLOOK

During the fiscal year 2022/23, withstanding the prevailing economic adversities, the Corporation has exhibited a commendable performance, manifesting an overall enhancement across all business segments. The consolidated top-line revenue has displayed a robust growth of 48% when compared to the preceding year. We effectively managed the significant impact of inflation by implementing regular price adjustments throughout the year, thereby contributing to the preservation of our profit margins. Nonetheless, the substantial escalation in financial costs has presented a notable challenge. Our unwavering commitment to reduce the group's reliance on excessive

borrowing is steadfast, and we are in the process of carrying out a rights issue for TCL. The proceeds from this rights issue will substantially be allocated towards the repayment of outstanding bank loans.

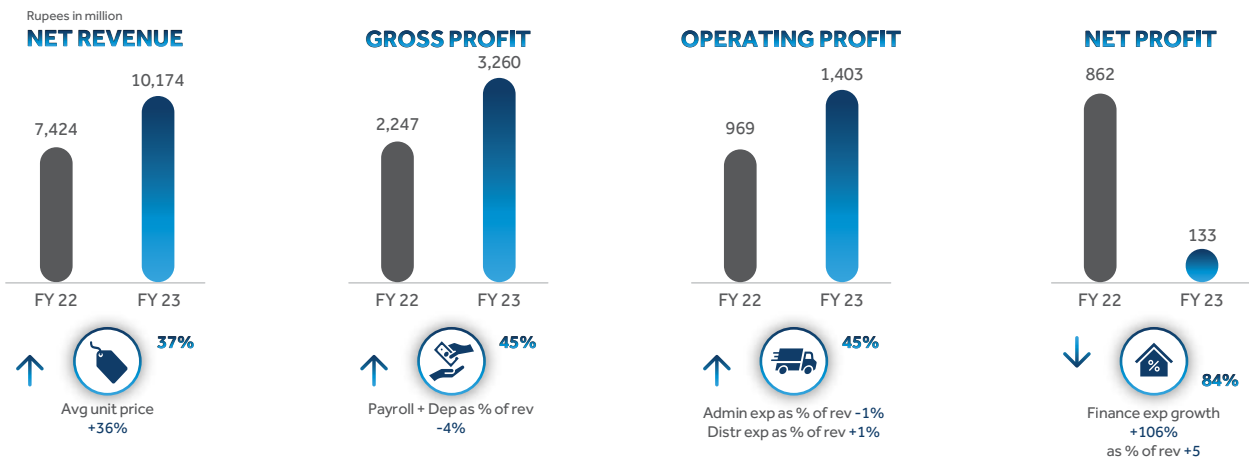
In addition to our financial strategies, we are continuously dedicated to elevating the quality of our existing product portfolio and introducing new and improved offerings. As part of this endeavor, we are poised to launch two novel products: the Rubberized Handle Razor and Treet Shaving Foam. Both of these products are anticipated to be introduced to the market during the fiscal year 2024.

BUSINESS REVIEW – TREET CORPORATION LIMITED (TCL)

During this period, TCL's top-line revenue has witnessed a

remarkable surge, with net sales increasing by an impressive 37% compared to the same period last year, soaring from Rs. 7,424 million to a staggering Rs. 10,174 million. This significant growth is primarily attributed to a 53% increase in export sales and a 30% rise in domestic sales when compared to the figures from the previous year. The gross profit, standing at Rs. 3,260 million, reflects a 45% increase compared to the same period last year (FY 2022: Rs. 2,247 million). This improvement stems from enhanced cost management practices and the sale of high-margin products to both our export and local customers. Furthermore, the impact of inflation was somewhat managed through regular price adjustments throughout the year, contributing to the preservation of profit margins.

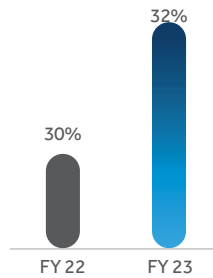
"The company has delivered stellar performance despite operating in a very challenging environment"



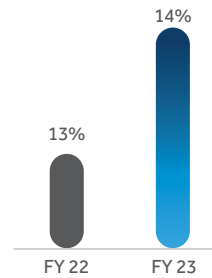
“Operating margin holding steady despite inflationary environment though net margin has been hit by increase in financing costs”

Operating profit reached Rs. 1,403 million, marking a significant improvement of 45% compared to the corresponding period last year (FY 2022: Rs. 969 million). It's worth noting that administration, and selling and distribution expenses increased by 36% and 53%, respectively, in comparison to the previous year, primarily driven by the impact of inflation

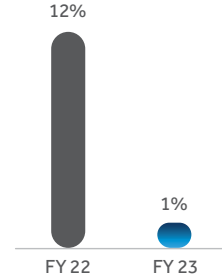
GROSS MARGIN



OPERATING MARGIN



NET MARGIN

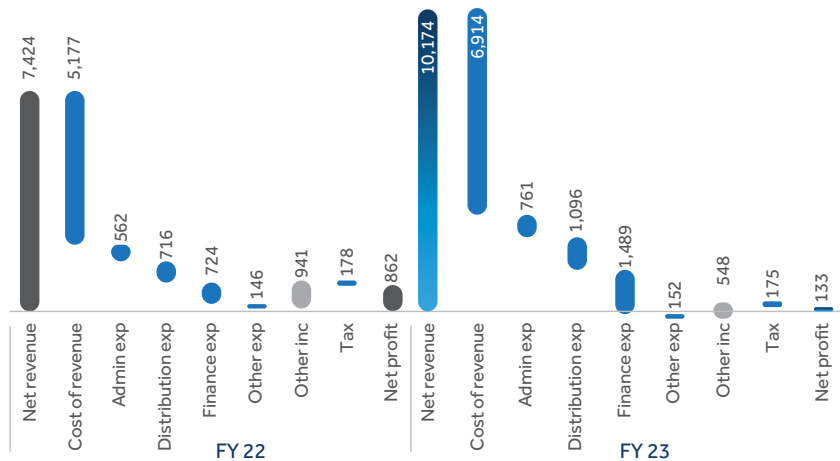


The adverse impact of financing costs has been notable, primarily due to the substantial increase in borrowing rates as a result of domestic economic challenges. While partial repayments were made to the banks, the reduction in borrowing was offset by the impact of higher borrowing costs, which surged by 106% compared to the previous year, amounting to Rs. 1,489 million (FY 2022: Rs. 724 million). Additionally, impairment testing was conducted for THL, resulting in an impairment provision of Rs. 90 million. In contrast, during the corresponding period, there was an impairment reversal related to the investment in FTMM, amounting to Rs. 656 million. Consequently, the Profit After Tax has declined to Rs. 133 million compared to the same period last year (FY 2022: Rs. 862 million).

“High cost of leverage is the primary culprit behind the fall in profitability in TCL”

Resultantly, the Profit after tax has declined to Rs. 133 million compared to last year same period (FY 2022: Rs. 862 million).

TCL - PROFIT BUILDUP (PKR M)

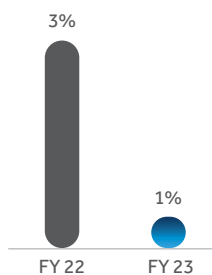


“Company planning to reduce leverage through rights issue to partially offset the high leverage cost which has dampened profitability”

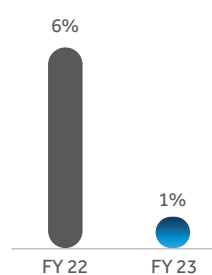
RIGHT ISSUE

Treet Corporation Ltd (TCL) has unveiled its strategy to raise Rs. 2.5 billion through a rights issue of shares. The principal objective behind this capital-raising move is to bolster the financial strength of TCL's balance sheet by clearing its current short-term debt. Consequently, the newfound liquidity generated through this undertaking will serve a dual

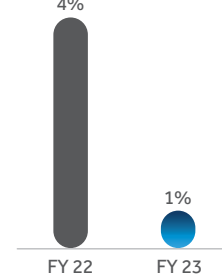
ROA



ROE



ROIC



DIRECTOR'S REVIEW

purpose: firstly, it will contribute to reducing excessive leverage, and secondly, it will offer flexibility to support TCL's expansion initiatives while alleviating the burden of borrowing costs.

CAPACITY ENHANCEMENT PROJECTS

Treet Razors have emerged as the top-selling commodity in both domestic and international markets. The soaring demand for this product has surpassed the capabilities of our current manufacturing facility. In order to address this capacity limitation, the management has devised a strategy to augment the enhancement of production capacity.

BUSINESS REVIEW – GROUP RESULTS

In the fiscal year 2022-2023, the

Corporation achieved a total turnover of Rs. 23,353 million, marking a substantial increase of Rs. 7,563 million (48%) compared to the corresponding period in the preceding year. This notable rise signifies robust sales growth in terms of both value and volume across all business segments. Throughout the review period, the cost of sales amounted to Rs. 18,227 million, reflecting a 39% increase compared to the corresponding period in the prior year (June 2022: Rs. 13,121 million), a trend in line with the elevated sales figures. Gross profit reached Rs. 5,126 million, showcasing a significant improvement of 92% over the same period in the previous year (June 2022: Rs. 2,669 million). This enhancement can be mainly attributed to heightened sales volumes and effective price optimization strategies. The impact of inflation was effectively managed through consistent price adjustments throughout the year, thereby contributing to the preservation of profit margins. Stringent cost control

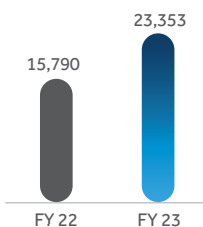
measures also played a pivotal role in achieving an operating profit of Rs. 2,415 million, representing a remarkable improvement of 204% over the corresponding period in the prior year (FY 2022: Rs. 794 million).

Despite a substantial increase in interest rates within monetary policies during the year, which had an adverse impact, the net profit exhibited significant improvement, rising by 110% compared to the corresponding period in the previous year. The prevailing decline in the automotive sector has had an adverse impact on our associated company, Loads Limited, resulting in recording a loss of Rs. 196 million in our financial statements. The Corporation maintained profitability, securing a net profit of Rs. 28 million, in contrast to a loss of Rs. 303 million in the same period of the preceding year. This level of profit translates to an Loss Per Share (EPS) of Rs. 0.004 per share, as opposed to a loss of Rs. 1.77 per share in the corresponding period of the prior year.

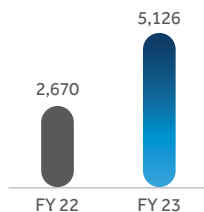
"Despite challenging year, TCL managed to report consolidated net profit of PKR 28m due to price increases and cost controls allowing margins to expand"

Rupees in million

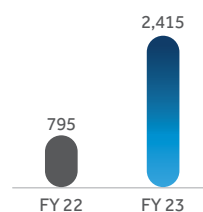
REVENUE-NET



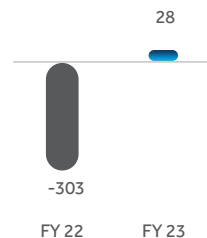
GROSS PROFIT



OP PROFIT



NET PROFIT



SUMMARY OF COMPARATIVE FINANCIAL RESULTS

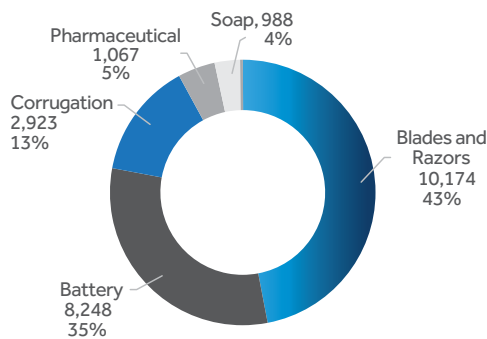
(Rupees in million)

| Description | Financial Year June , 2023 | | Financial Year June , 2022 | | % Change | |
|----------------------------------|----------------------------|--------------|----------------------------|--------------|----------|--------------|
| | Treet | Consolidated | Treet | Consolidated | Treet | Consolidated |
| Sales (net) | 10,174 | 23,353 | 7,424 | 15,790 | 37% | 48% |
| Gross Profit | 3,260 | 5,126 | 2,247 | 2,669 | 45% | 92% |
| Operating Profit/(Loss) | 1,402 | 2,415 | 969 | 794 | 45% | 204% |
| Profit/(Loss) before Taxation | 308 | 281 | 1,040 | (56) | -71% | 752% |
| Net Profit/(Loss) after taxation | 133 | 28 | 862 | (303) | -84% | 110% |
| EPS (in Rupees) | 0.75 | (0.004) | 4.88 | -1.77 | | |

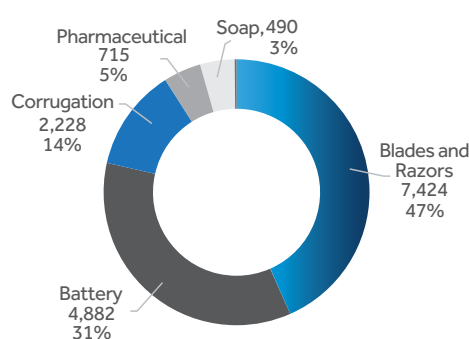
SEGMENT WISE SALES IS AS FOLLOWS:

Rupees in million

FY 23 SEGMENTWISE REVENUE



FY 22 SEGMENTWISE REVENUE



“Striving the headwinds with overall positive revenue growth”

DIVIDEND

In view of financial performance of the Company, the Board of Directors have recommended to pay the final cash dividend of PKR --- per share (2022: PKR --- per share).

TREET BATTERY LIMITED (TBL)

Following a court order, the Battery Segment has been successfully demerged from First Treet Manufacturing Modaraba (FTMM). All assets, liabilities, and the associated business, in the state they existed immediately before the sanction date, have been seamlessly transferred from FTMM to Treet Battery Limited (TBL). TBL's financial results comprise three months of operations from

the battery segment, starting on April 1, 2023.

During the period on three months, for the year ending in June 2023, Treet Battery Limited achieved revenue of Rs. 2.04 billion. The company also successfully generated a gross profit of Rs. 484.6 million, signifying a substantial improvement. This improvement can be attributed to effective cost management, enhanced plant operations, and the company's initiatives in price rationalization. TBL's advanced manufacturing plant continues to operate at peak efficiency levels, optimizing working capital and inventory while minimizing rejections and process wastages to enhance overall efficiency and output. Focused cost-saving initiatives produced positive results, alongside the

implementation of robust quality improvements. The introduction of the TPM (Total Productive Maintenance) management methodology has played a crucial role in reducing losses associated with our manufacturing system, ultimately increasing overall production effectiveness.

As a result, the company achieved an impressive operating profit of Rs. 308 million. However, due to significant increase in financial costs, which had an adverse impact, largely offsetting profits by Rs. 301 million, mainly due to the high leverage in the battery segment. Overall, TBL recorded a net profit of Rs. 57.9 million.

While reviewing the full year performance of battery segment, it is noteworthy that the topline revenue amounted to Rs. 8,248

DIRECTOR'S REVIEW

million, indicating a remarkable increase of 69% compared to the corresponding period in the previous year. This marks a significant milestone as the segment has achieved its first-ever operating profit of Rs. 610 million, a substantial improvement over Rs. 274 million loss incurred in the same period last year.

It is important to acknowledge that the escalation in financial charges, driven by domestic economic challenges, has led to a significant increase in financial expenditures. Consequently, the segment recorded a net loss of Rs. 234 million. It is worth noting that this loss is considerably less when compared to the corresponding period in the prior year (Net Loss 2022: Rs. 771 million).

FIRST TREET MANUFACTURING MODARABA (FTMM)

FTMM operates primarily in three segments: Battery, Corrugated Boxes, and Soaps. As per a court order, the Battery segment was demerged from FTMM, effective from April 1, 2023. The financial results encompass nine months of the battery segment's performance and the full year results for the corrugated boxes and soaps segments. FY 2023 demonstrated impressive growth and financial performance for FTMM, with substantial increases in revenue, gross profit, operating profit, resulting in improved profitability, and a reduced net loss

compared to the previous year.

The battery segment experienced robust growth, with revenue increasing from Rs. 4,881 million to Rs. 6,207 million, marking a substantial 27% rise. Similarly, the corrugated boxes and soaps segments also witnessed impressive revenue growth, reaching Rs. 3,911 million, a 40% increase from Rs. 2,796 million the previous year.

Notably, the company achieved a gross profit of Rs. 303.2 million, a significant improvement compared to the Rs. 129.5 million in the previous year. This achievement can be attributed to enhanced cost management and the company's efforts in price rationalization, effectively passing on the impact of inflation through regular price adjustments throughout the year. Furthermore, the company's operating profit surged to Rs. 126.87 million, a substantial leap from Rs. 16.9 million reported in the previous year. This outstanding performance resulted from effective cost management.

However, financing costs had an adverse impact, primarily due to the significant increase in borrowing rates. Although partial repayments were made to the banks, the reduction in borrowing was offset by the impact of higher borrowing costs, significantly affecting our bottom line. Consequently, the net loss for the year amounted to Rs. 126 million, compared to a loss of Rs. 542 million in the previous year.

RENACON PHARMA LIMITED (RPL)

The net revenue for the period stands at Rs. 1,066 million, reflecting a notable increase of 49% compared to the previous year (FY 2022: Rs. 715 million). Gross profit has seen a substantial improvement, reaching Rs. 223 million, which represents an impressive 88% increase over the corresponding period in the previous year (FY 2022: Rs. 118 million). This improvement can be primarily attributed to increased sales volumes and effective price rationalization efforts. Profit After Tax has reached Rs. 67 million, a notable improvement compared to the Rs. 31 million reported during the same period last year.

IMPAIRMENT PROVISIONING – International Accounting Standard (IAS) 36.

Management has carried out an impairment testing in accordance with IAS 36 of the carrying amount of investment in subsidiaries/ associated company(s): Treet Holdings Limited (THL) and First Treet Manufacturing Modaraba (FTMM), against the value in use, which has been calculated based on present value of the projected future cashflows of THL and FTMM. As a result, a provision of Rs. 90 million has been recorded in Treet's books for THL.

CODE OF CORPORATE GOVERNANCE:

The Directors of the Company are aware of their responsibilities under the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Rule Book of Pakistan Stock Exchange. The Company has taken all necessary steps to ensure good corporate governance and full compliance of the Code and we confirm the following:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained;
- Chief Executive and Chief Financial Officer duly endorsed the financial statements before approval of the Board;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;

- There are no significant doubts upon the company's ability to continue as a going concern;
- Statement of pattern of shareholding has been included as part of this Annual Report; and
- Statement of shares held by associated undertakings and related persons have also been disclosed separately.

Statements regarding the following are annexed or disclosed in the notes to the accounts:

- Pattern of Shareholding
- Trading in shares of the Company by its Directors, CEO, CFO and Company Secretary

CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to giving back to the Society and Company has contributed in the form of donations and charity to a number of organizations; including but not limited to Gulab Devi Chest Hospital.

HEALTH, ENVIRONMENT AND SAFETY

As a testament to our commitment to a more sustainable environment, our company is firmly dedicated to the development of products and manufacturing processes that prioritize environmental friendliness. We have established a comprehensive Health, Safety, and Environment Policy aimed at reducing our environmental impact to the maximum extent feasible, taking into account economic and practical considerations.

Our company places paramount importance on safety and is dedicated to safeguarding the well-being of our employees, customers, and the wider community in all current and future endeavors. Additionally, we are resolute in our commitment to uphold strict compliance with national regulations governing environmental, health, and safety standards across all our operations.

DIRECTOR'S REVIEW

MEETINGS OF THE BOARD OF DIRECTORS:

During the year, the Board of Directors of the company have met 05 times and the attendance at each of these meetings is as follows:

| Name | Designation | 28-Sep-22 | 27-Oct-22 | 14-Feb-23 | 26-Apr-23 | 26-Jun-23 | 2022-2023 |
|-------------------------|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Mr. Imran Azim | Chairman/Non-Executive Director | P | P | P | P | P | 5/5 |
| Syed Shahid Ali | Chief Executive Officer | A | P | P | P | P | 4/5 |
| Syed Sheharyar Ali | Executive Director | P | P | P | P | P | 5/5 |
| Mr. Munir Karim Bana | Non-Executive Director | P | P | P | P | P | 5/5 |
| Dr. Salman Faridi | Independent Director | P | P | P | P | P | 5/5 |
| Ms. Sidra Fatima Sheikh | Independent Director | P | P | P | P | P | 5/5 |
| Dr. Haroon Latif Khan | Independent Director | P | P | P | P | P | 5/5 |
| Quorum of Meetings | | 6/7 | 7/7 | 7/7 | 7/7 | 7/7 | |

P Present

A Absent

BOARD COMMITTEES AND THEIR MEETINGS

AUDIT COMMITTEE:

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

| Name | Designation | 28-Sep-22 | 27-Oct-22 | 14-Feb-23 | 26-Apr-23 | 2022-2023 |
|----------------------|-----------------|-----------|-----------|-----------|-----------|-----------|
| Dr. Salman Faridi | Chairman/Member | P | P | P | P | 4/4 |
| Mr. Imran Azim | Member | P | P | P | P | 4/4 |
| Mr. Munir Karim Bana | Member | P | P | P | P | 4/4 |
| Quorum of Meetings | | 3/3 | 3/3 | 3/3 | 3/3 | |

P Present

A Absent

HR COMMITTEE:

During the year, the HR Committee of the Board have met 01 times and the attendance at each of these meetings is as follows.

| Name | Designation | 13-Feb-23 | 2022-2023 |
|-------------------------|--------------------|-----------|-----------|
| Ms. Sidra Fatima Sheikh | Chairperson/Member | P | 1/1 |
| Mr. Imran Azim | Member | P | 1/1 |
| Syed Shahid Ali | Member | P | 1/1 |
| Quorum of Meetings | | 3/3 | |

P Present

A Absent

REMUNERATION POLICY OF NON-EXECUTIVE DIRECTORS

The fee of the non-executive and independent directors for attending the Board and Committee Meeting(s) of the Company is determined by the Board from time to time.

EXTERNAL AUDITOR

The financial statements of the company for the current year 2022-23 were audited by M/s Yousuf Adil & Co. Chartered Accountants. The auditors will retire at the end of the Annual General Meeting.

Being eligible, they have offered themselves for re-appointment. The Board has recommended the appointment of M/s Yousuf Adil & Co. Chartered Accountants as auditors for the ensuing year, as recommended by the Audit Committee, subject to the approval of the members in the forthcoming Annual General Meeting.

ACKNOWLEDGEMENTS

We express our sincere appreciation to our esteemed customers for their trust in our products, and we are dedicated to delivering the highest quality by consistently enhancing our offerings. We extend our gratitude to all our colleagues, management,

and factory personnel who exhibit unwavering commitment to their roles, as the success of our Company is fundamentally rooted in their dedication. Additionally, we extend our thanks to our shareholders for their confidence in our Company, assuring them that we are fully committed to maximizing the returns on their investments in our Company.



Syed Sheharyar Ali
Chief Executive Officer

LAHORE

September 28, 2023

ڈائریکٹرز رپورٹ

ایچ آرابینڈ آر کمیٹی

سال بھر میں ایچ آرابینڈ آر کمیٹی کا 101 اجلاس منعقد ہوا۔ ان اجلاسوں میں ہر رکن کی حاضری حسب ذیل ہے:

| 2022/2023 | | 02-13-2023 | عہدہ | نام |
|-----------|--|------------|-----------------|-------------------|
| 1/1 | | P | چیئر پرسن / رکن | مس سدرہ فاطمہ شیخ |
| 1/1 | | P | رکن | مسٹر عمران عظیم |
| 1/1 | | P | رکن | مسٹر سید شاہد علی |

P اجلاس میں حاضر

A اجلاس سے غیر حاضر

نان ایگزیکٹو ڈائریکٹرز کی معاوضہ پالیسی

کمپنی کے بورڈ اور کمیٹی اجلاسوں میں شرکت کے لئے نان ایگزیکٹو اور خود مختار ڈائریکٹرز کی فیس کا تعین بورڈ کرتا ہے۔

بیرونی آڈیٹرز

حالیہ برس 2022-23 کے لئے کمپنی کی مالیاتی اسٹیٹمنٹس کا آڈٹ میسرز یوسف عادل اینڈ کوچارٹرزڈ اکاؤنٹنٹس نے کیا ہے۔ سالانہ اجلاس عام کے اختتام پر یہ آڈیٹرز ریٹائر ہو جائیں گے۔ اہلیت کی بنیاد پر انہوں نے اپنی دوبارہ تقرری کی سفارش کی ہے۔ اگلے برس کے لئے بورڈ نے آڈٹ کمیٹی کی تجویز پر میسرز یوسف عادل اینڈ کوچارٹرزڈ اکاؤنٹنٹس کی بطور آڈیٹرز دوبارہ تقرری کی سفارش کی ہے۔ جو آئندہ سالانہ اجلاس عام میں اراکین کی منظوری سے مشروط ہے۔

اظہار تشکر

ہم اپنے معزز صارفین کی جانب سے ہماری مصنوعات پر اعتماد کا تہہ دل سے شکریہ ادا کرتے ہیں اور اپنی مصنوعات میں مسلسل بہتری لاکر انہیں عمدہ معیار فراہم کرنے کا عہدہ کرتے ہیں۔ ہم اپنے تمام ساتھیوں، انتظامیہ اور فیکٹری کے عملہ کا بھی شکریہ ادا کرنا چاہتے ہیں جو اپنی کام میں دلچسپی سے کام کرتے ہیں اور اپنی کوششوں سے کمپنی کی کامیابی میں کردار ادا کرتے ہیں۔ ہم اپنے سٹیک ہولڈرز کی جانب سے ہماری کمپنی پر اعتماد کے بھی شکر گزار ہیں اور انہیں یقین دلاتے ہیں کہ ہم کمپنی میں ان کے سرمایہ کا بہترین متبادل فراہم کرنے کے لئے پرعزم ہیں۔



سید شہریار علی
چیف ایگزیکٹو آفیسر

لاہور

28-09-2023

ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کے اجلاس

سال بھر میں کمپنی کے بورڈ آف ڈائریکٹرز کے 105 اجلاس منعقد ہوئے ان اجلاسوں میں ہر ایک کی حاضری مندرجہ ذیل ہے:

| 2022/ 2023 | | 26 جون 2023ء | 26 اپریل 2023ء | 14 فروری 2023ء | 27 اکتوبر 2022ء | 28 ستمبر 2022ء | عہدہ | نام |
|---------------|--|-----------------|-------------------|-------------------|--------------------|-------------------|----------------------------------|----------------------|
| 5/5 | | P | P | P | P | P | چیئر مین / نان ایگزیکٹو ڈائریکٹر | عمران عظیم |
| 4/5 | | P | P | P | P | A | چیف ایگزیکٹو آفیسر | سید شاہد علی |
| 5/5 | | P | P | P | P | P | ایگزیکٹو ڈائریکٹر | سید شہریار علی |
| 5/5 | | P | P | P | P | P | نان ایگزیکٹو ڈائریکٹر | مسٹر منیر کریم بانا |
| 5/5 | | P | P | P | P | P | خود مختار ڈائریکٹر | ڈاکٹر سلمان فریدی |
| 5/5 | | P | P | P | P | P | خود مختار ڈائریکٹر | مس سدرہ فاطمہ شیخ |
| 5/5 | | P | P | P | P | P | خود مختار ڈائریکٹر | ڈاکٹر ہارون لطیف خان |

P اجلاس میں حاضر

A اجلاس سے غیر حاضر

بورڈ کمیٹیاں اور ان کے اجلاس

آڈٹ کمیٹی

سال بھر میں بورڈ آڈٹ کمیٹی کے 104 اجلاس منعقد ہوئے۔ ان اجلاسوں میں ہر رکن کی حاضری حسب ذیل ہے:

| 2022/ 2023 | | 26 اپریل 2023ء | 14 فروری 2023ء | 27 اکتوبر 2022ء | 28 ستمبر 2022ء | عہدہ | نام |
|---------------|--|-------------------|-------------------|--------------------|-------------------|----------------|---------------------|
| 4/4° | | P | P | P | P | چیئر مین / رکن | ڈاکٹر سلمان فریدی |
| 4/4° | | P | P | P | P | رکن | مسٹر عمران عظیم |
| 4/4° | | P | P | P | P | رکن | مسٹر منیر کریم بانا |

P اجلاس میں حاضر

A اجلاس سے غیر حاضر

ڈائریکٹرز رپورٹ

کاروباری و مالیاتی رپورٹنگ فریم ورک

ڈائریکٹرز لےڈ کمیٹی (کوڈ آف کارپوریٹ گورننس) ضوابط 2019ء اور پاکستان سٹاک ایکسچینج کے ضابطہ کے تحت اپنی ذمہ داریوں سے بخوبی آگاہ ہیں۔ کمیٹی نے بہتر کارپوریٹ گورننس اور ضابطہ کی مکمل تعمیل کو یقینی بنانے کے لئے تمام ضروری اقدامات کئے ہیں لہذا ہم مندرجہ ذیل کی توثیق کرتے ہیں:

- انتظامیہ کی تیار کردہ مالیاتی اسٹیٹمنٹس کمیٹی کے کاروباری امور، آپریشنز کے نتائج، کیش فلوا اور ایکویٹی میں تبدیلی کی درست عکاسی کرتی ہیں۔
- کمیٹی کے کھاتوں کی باقاعدہ کتابیں تیار کی گئی ہیں۔
- بورڈ کی منظوری سے قبل چیف ایگزیکٹو اور چیف فنانسینشل آفیسر نے ان مالیاتی اسٹیٹمنٹس کی باقاعدہ توثیق کی ہے۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں کمیٹی نے مناسب اکاؤنٹنگ پالیسیوں کا اطلاق کیا ہے اور اکاؤنٹنگ تخمینہ جات موزوں اور معقول فیصلوں کی بنیاد پر لگائے گئے ہیں۔
- ان مالیاتی اسٹیٹمنٹس کی تیاری میں پاکستان میں نافذ العمل بین الاقوامی مالیاتی رپورٹنگ معیارات اور کمیٹی ایکٹ 2017ء کے قواعد پر عمل کیا گیا ہے اور ان میں کسی بھی ترک کو مناسب انداز میں ظاہر کیا گیا ہے۔
- داخلی نظم و ضبط کا ایک مربوط سسٹم موجود ہے اور اس میں مزید نکھار لایا گیا ہے اور سال بھر میں اس کا موثر اطلاق کیا گیا ہے۔
- گروپ اور کمیٹی کی مالیاتی حالت کو مد نظر رکھتے ہوئے ہمیں کمیٹی کی کاروبار جاری رکھنے کی صلاحیت میں کوئی شک نہیں۔
- شیئر ہولڈنگ کی وضع کو لازمی جزو کے طور پر سالانہ رپورٹ میں شامل کیا گیا ہے۔
- وابستہ کمیٹیوں اور متعلقہ افراد کے ملکیتی حصص کی تفصیلات کو بھی علیحدہ سے بیان کیا گیا ہے۔
- مندرجہ ذیل سے متعلق بیانات کھاتوں کے نوٹس میں ظاہر اور لف کئے گئے ہیں:
- شیئر ہولڈنگ کی وضع
- ڈائریکٹرز، CEO، CFO اور کمیٹی سیکریٹری کی جانب سے کمیٹی کے حصص میں تجارت

کاروباری سماجی ذمہ داری

کمیٹی معاشرے کی فلاح کے لئے پرعزم ہے لہذا کمیٹی نے کئی اداروں بشمول گلاب دیوی چیٹ ہسپتال عطیات اور صدقات ادا کئے ہیں۔

صحت، ماحولیات اور تحفظ

کمیٹی کے مقاصد پاکیزہ دنیا کے لئے ہمارے عزم کی عکاسی کرتے ہیں جس میں ایسی مصنوعات کی تیاری اور مینوفیکچرنگ طریق عمل شامل ہیں جو ماحول دوست ہوں۔

کمیٹی نے صحت، حفاظت اور ماحولیات کی پالیسی وضع کی ہے جو اقتصادی اور عملی لحاظ سے موافق ہے اور اس کے ماحول پر اثرات کو کم کرتی ہے۔ کمیٹی یقینی بناتی ہے کہ اس کی تمام حالیہ اور آئندہ سرگرمیاں اپنے ملازمین، کسٹمرز اور عوام کی صحت کو خطرے میں ڈالے بغیر محفوظ انداز میں بروئے کار لائی جائیں۔ مزید برآں، کمیٹی یہ یقینی بنانے کے لئے پرعزم ہے کہ اس کی تمام سرگرمیاں ملکی ماحولیات اور حفظان صحت کے اصولوں کے عین مطابق ہوں۔

ڈائریکٹرز رپورٹ

نتیجتاً، کمپنی نے 308 ملین روپے کا بھاری آپریٹنگ منافع حاصل کیا۔ البتہ، قرضوں پر لاگت میں نمایاں اضافے اور بیٹری کے شعبہ میں قرضوں کے اصراف کے باعث منافع 301 ملین روپے تک گر گیا۔ مجموعی طور پر، TBL نے 57.9 ملین روپے کا خالص منافع ریکارڈ کیا۔

بیٹری کے شعبہ کی مکمل سال کی کارکردگی کا جائزہ لیتے ہوئے یہ امر قابل ذکر ہے کہ 8,248 ملین روپے کی ٹاپ لائن آمدنی گذشتہ برس کی اسی مدت کے مقابلے میں 69% نمایاں اضافہ ظاہر کر رہی ہے۔ اس طرح بیٹری کے شعبے نے 610 ملین روپے کا پہلا آپریٹنگ منافع حاصل کر کے سنگ میل کو عبور کیا۔ جو گذشتہ برس کی اسی مدت کے مقابلے میں 274 ملین روپے کی نمایاں بہتری ظاہر کرتا ہے۔

یہ تسلیم کرنا اہم ہے کہ بڑھتے ہوئے مالیاتی اخراجات جو ملکی معاشی مشکلات کے باعث پیدا ہوئے نے قرضوں پر اخراجات میں ہوش ربا اضافہ کیا۔ نتیجتاً، اس شعبے نے 234 ملین روپے کا خالص خسارہ ریکارڈ کیا۔ واضح رہے کہ یہ خسارہ گذشتہ برس کی اسی مدت کے مقابلے کافی کم ہے (خالص خسارہ 2022: 771 ملین روپے)

فرسٹ ٹریٹ مینوفیکچرنگ مضاربہ (FTMM)

FTMM بنیادی طور پر تین شعبوں: بیٹری، کارو گیٹڈ باکسز اور صابن میں آپریٹ کرتی ہے۔ عدالتی حکم کے مطابق بیٹری کے شعبے کو FTMM سے علیحدہ کر دیا گیا جو یکم اپریل 2023ء سے شروع ہوا۔ مالیاتی نتائج بیٹری کے شعبہ کی نو ماہ، کارو گیٹڈ باکسز اور صابن کے شعبہ کی ایک سال کی کارکردگی ظاہر کرتے ہیں۔ مالیاتی سال 2023ء نے FTMM کی متاثر کن نمو اور مالیاتی کارکردگی دکھائی جس سے آمدنی، مجموعی منافع، آپریٹنگ منافع میں نمایاں بہتری ہوئی اور نفع میں بھرپور اضافہ ہوا جب کہ گذشتہ برس کی نسبت خالص سیلز میں اضافہ ہوا۔

بیٹری کے شعبہ میں 27% کے متاثر کن اضافہ کے ساتھ آمدنی میں 4,881 ملین روپے سے 6,207 ملین روپے اضافے نے ٹھوس نمو کو ظاہر کیا۔ اسی طرح سے، کارو گیٹڈ باکسز اور صابن کے شعبہ نے بھی گذشتہ برس میں 2,796 ملین روپے کے مقابلے میں 40% اضافے کے ساتھ 3,911 ملین روپے کی متاثر کن آمدنی ریکارڈ کی۔

واضح رہے کہ کمپنی نے 303.2 ملین روپے کا کل منافع حاصل کیا جو گذشتہ برس میں 129.5 ملین روپے کل منافع کے مقابلے میں اچھی کارکردگی ظاہر کرتا ہے۔ یہ کامیابی لاگت پر موثر کنٹرول اور قیمتوں میں ردوبدل کی کمپنی کی کوششوں اور اس کے ذریعے مہنگائی کے اثرات کو منتقل کر کے حاصل کی گئی۔ مزید برآں، کمپنی کا آپریٹنگ منافع 126.87 ملین روپے تک بڑھ گیا جو گذشتہ برس میں 16.9 ملین روپے کے مقابلے میں بہت زیادہ ہے۔ یہ اعلیٰ کارکردگی لاگت پر موثر کنٹرول کے نتیجے میں سامنے آئی۔

البتہ قرضوں پر لاگت کے بدترین اثرات، قرض حاصل کرنے کی شرح میں نمایاں اضافے کے باعث سامنے آئے۔ اگرچہ بینکوں کو جزوی ادا کیگیاں کر دی گئی ہیں لیکن قرضوں پر زیادہ لاگت کے اثرات نے قرضوں کے بوجھ میں کمی کو معدوم کر دیا ہے۔ جس سے ہماری اہداف متاثر ہوئے ہیں۔ نتیجتاً، مذکورہ سال کے لئے کل خسارہ 126 ملین روپے تک پہنچ گیا جو گذشتہ برس کی اسی مدت میں 542 ملین روپے تھا۔

ریناکون فارمالیٹیڈ (RPL)

مذکورہ مدت کے لئے خالص آمدنی 1,066 ملین روپے رہی جو گذشتہ برس کی نسبت 49% کی نمایاں اضافہ کی عکاسی کرتا ہے (مالیاتی سال 2022: 715 ملین روپے)۔ کل منافع میں بھی خاطر خواہ بہتری سامنے آئی جو 223 ملین روپے تک پہنچ گیا۔ جو گذشتہ برس کی اسی مدت کے مقابلے میں 88% منافع ظاہر کرتا ہے (مالیاتی سال 2022: 118 ملین روپے)۔ اس پیش رفت کو سیلز کے اضافی حجم اور قیمتوں میں موثر ردوبدل کی کوششوں سے منسوب کیا جاتا ہے۔ نفع علاوہ ٹیکس 67 ملین تک پہنچ گیا جو گذشتہ برس کی اسی مدت میں 31 ملین روپے کے مقابلے میں نمایاں اضافہ ظاہر کرتا ہے۔

امیبیز منٹ پروڈرین - بین الاقوامی مالیاتی معیارات (IAS) 36

انتظامیہ نے IAS 36 کے تحت امیبیز منٹ ٹیسٹنگ کی جو ذیلی/ایسوسی ایٹڈ کمپنیوں ٹریٹ ہولڈنگز لمیٹیڈ (THL) اور فرسٹ ٹریٹ مینوفیکچرنگ مضاربہ (FTMM) میں سرمایہ کاری کی رقم پر کی گئی۔ جس کا THL اور FTMM کے مکمل کیش فلو کی حالیہ قیمت کی بنیاد پر تعین کیا گیا۔ نتیجتاً، THL کی ٹریٹ کی کتابوں میں 90 ملین روپے امیبیز منٹ پروڈرین کا اضافہ ہوا۔

ڈائریکٹرز رپورٹ

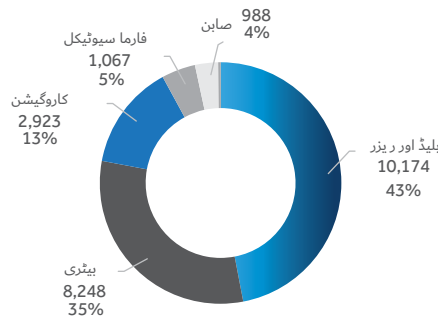
متقابل مالیاتی نتائج کا خلاصہ

(ملین روپوں میں)

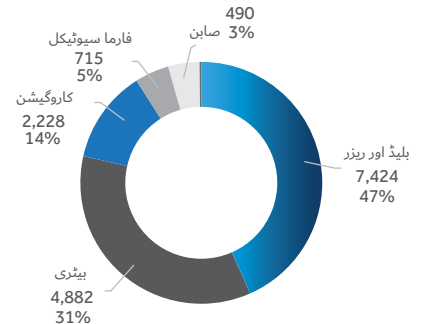
| مالیاتی سال | | مالیاتی سال | | مالیاتی سال | |
|-------------|--------|-------------|---------|-------------|--------|
| جون، 2022ء | | جون، 2023ء | | جون، 2023ء | |
| ٹریٹ | مجموعی | ٹریٹ | مجموعی | ٹریٹ | مجموعی |
| 37% | 15,790 | 48% | 23,353 | 37% | 10,174 |
| 45% | 2,669 | 92% | 5,126 | 45% | 3,260 |
| 41% | 794 | 204% | 2,415 | 41% | 1,402 |
| -71% | (56) | 752% | 281 | -71% | 308 |
| -84% | (303) | 110% | 28 | -84% | 133 |
| | -1.77 | | (0.004) | | 0.75 |

ہر شعبے کی سیلز حسب ذیل ہے:

مالیاتی سال 2023 شعبے کے لحاظ سے
آمدنی - ملین روپوں میں



مالیاتی سال 2022 شعبے کے لحاظ سے
آمدنی - ملین روپوں میں



”مجموعی مثبت ریوینیو کے ساتھ مشکلات پر قابو پانے کی کوشش“

منافع منقسمہ

کمپنی کی مالیاتی کارکردگی کو مدنظر رکھتے ہوئے بورڈ آف ڈائریکٹرز نے..... روپیہ فی حصص (2022:..... روپے فی حصص) حتمی نقد منافع منقسمہ ادا کرنے کی سفارش کی ہے۔

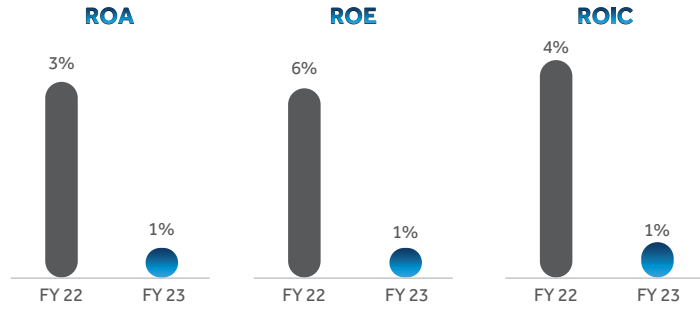
ٹریٹ بیٹری لمیٹڈ (TBL)

عدالتی حکم کے بعد، بیٹری کے شعبے کو کامیابی کے ساتھ فرسٹ ٹریٹ میٹو فیکچرنگ مضاربہ (FTMM) سے علیحدہ کیا گیا۔ اجازت سے قبل تمام اثاثہ جات، واجبات اور متعلقہ کاروبار کو FTMM سے ٹریٹ بیٹری لمیٹڈ (TBL) کو منتقل کر دیا گیا۔ TBL کے مالیاتی نتائج میں بیٹری کے شعبے سے تین ماہ کے آپریشنز شامل ہیں جس کا آغاز یکم اپریل 2023ء کو ہوا۔

جون 2023ء کو اختتام پذیر سال کے تین ماہ کے دورانیہ میں، ٹریٹ بیٹری لمیٹڈ نے 2.04 ملین روپے کی آمدنی حاصل کی۔ کمپنی نے 484.6 ملین روپے کا مجموعی منافع بھی حاصل کیا جو نمایاں پیش رفت کی عکاسی کرتا ہے۔ یہ پیش رفت لاگت پر موثر کنٹرول، پلانٹ آپریشنز میں اضافہ اور قیمتوں میں ردوبدل کے لئے کمپنی کے اقدامات سے منسوب کی جا رہی ہے۔ TBL کا جدید پیداواری پلانٹ اپنی بھرپور استعداد کے ساتھ کام کر رہا ہے اور اس زیر کار سرمایہ اور انویسٹری کو موثر انداز میں صرف کیا گیا ہے تاکہ اسٹراڈا اور پراسیس ضیاع کو کم سے کم کیا جاسکے اور مجموعی کارکردگی اور پیداوار کو بڑھایا جاسکے۔ لاگت کی بچت اور معیار میں بہتری کے اقدامات نے مثبت نتائج مرتب کئے ہیں۔ TPM (ٹوٹل پروڈکٹیو مینٹنس) کے تعارف سے انتظامی طریقہ کار نے ہمارے پیداواری نظام سے منسوب خساروں کو کم کرنے میں اہم کردار ادا کیا ہے جس کے نتیجے میں پیداوار میں مجموعی اضافہ دیکھنے کو ملا۔

ڈائریکٹرز رپورٹ

”کمپنی قرضوں کے استعمال کو کم کرنے کے لئے رائٹ اجراء کی منصوبہ بندی کر رہی ہے تاکہ قرضوں کے استعمال پر اخراجات کو کم کیا جاسکے جو منافع کو متاثر کر رہا ہے۔“



استعداد بڑھانے کے منصوبے

ٹریٹ ریزرولنگی و غیر ملکی منڈیوں میں اولین فروخت ہونے والی پراڈکٹ کے طور پر ابھرا ہے۔ اس پراڈکٹ کی بڑھتی ہوئی طلب ہماری پیداواری فیسلٹی کی استعداد سے تجاوز کر چکی ہے۔ استعداد میں کمی پورا کرنے کے لئے انتظامیہ نے پیداواری استعداد کو بڑھانے کے لئے حکمت عملی ترتیب دی ہے۔

کاروباری جائزہ - گروپ نتائج

مالیاتی سال 2022-2023ء کے دوران گروپ نے 23,353 ملین روپے ٹرن اوور حاصل کیا جو گذشتہ برس کی اسی مدت کے مقابلے میں 7,563 ملین (48%) زائد ہے۔ یہ خاطر خواہ اضافہ کاروبار کے تمام شعبوں میں سیلز کی قیمت اور حجم میں نمایاں ترقی کو ظاہر کرتا ہے۔ زیر جائزہ مدت کے دوران، سیلز پر لاگت 18,227 ملین روپے رہی جو گذشتہ برس کی اسی مدت کی نسبت 39% اضافے کی عکاسی کرتی ہے (جون 2022: 13,121 ملین روپے) جو بڑھتے ہوئے سیلز کے اعداد و شمار میں اضافے کا رجحان ظاہر کرتے ہیں۔ کل منافع 5,126 ملین روپے تک پہنچ گیا جو گذشتہ برس کی اسی مدت کی نسبت 92% نمایاں پیش رفت کو ظاہر کرتا ہے (جون 2022ء: 2,669 ملین روپے)۔ اس اضافے کو بڑھتے ہوئے فروخت کے حجم اور قیمت میں ردو بدل کی موثر حکمت عملی سے منسوب کیا جاتا ہے۔ قیمتوں میں بروقت ردو بدل کے ذریعے مہنگائی کے اثرات کو موثر انداز میں منیج کیا گیا۔ جس سے نفع کے مارجن کو محفوظ کرنے میں مدد ملی۔ لاگت کو کنٹرول کرنے کے مربوط اقدامات نے 2,415 ملین روپے آپریٹنگ منافع حاصل کرنے میں اہم کردار ادا کیا۔ جو گذشتہ برس کی اسی مدت میں 204% کی نمایاں پیش رفت کی عکاسی کرتی ہے (مالیاتی سال 2022: 794 ملین روپے)

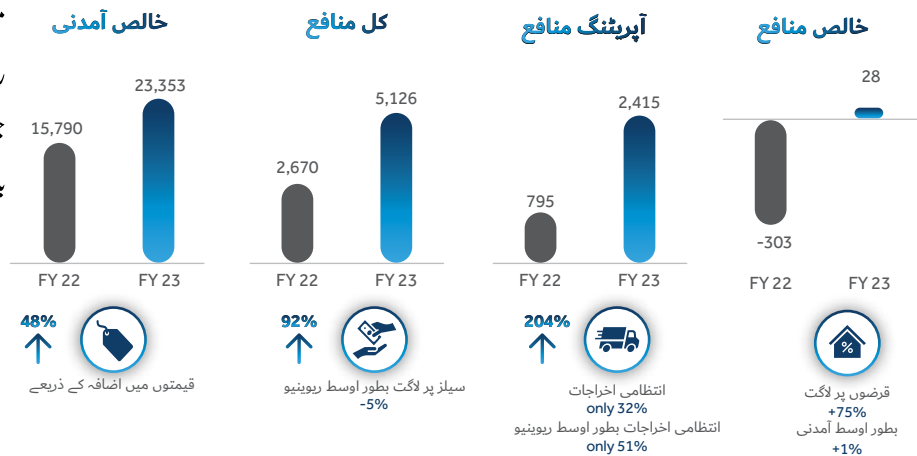
سال بھر میں مانیٹری پالیسی میں تجدید کے بعد شرح سود میں اضافے کے باوجود، جس کے بدترین اثرات سامنے آئے، خالص منافع میں نمایاں بہتری سامنے آئی جو گذشتہ برس کی اسی مدت کی نسبت 110% کا اضافہ دکھا رہی ہے۔ آٹومیٹیو سیکٹر میں جاری تنزلی نے ہماری ایسیوی ایڈ کمپنی، لوڈز لمیٹڈ، کی کارکردگی پر برے اثرات مرتب کئے جس کے باعث ہماری مالیاتی اسٹیٹمنٹس میں 196 ملین روپے کا خسارہ ریکارڈ ہوا۔ گروپ نے منافع کو برقرار رکھتے ہوئے 28 ملین روپے کا خالص منافع درج کیا۔ جب کہ گذشتہ برس کی اسی مدت میں 303 ملین روپے خسارہ ریکارڈ ہوا تھا۔ منافع کی سطح گذشتہ برس میں 1.77 روپے فی حصص خسارے کے مقابلے میں 0.004 روپے فی حصص خسارے کی صورت میں سامنے آیا۔

مشکل ترین سال کے باوجود ٹی سی ایل 28 ملین

روپے کا ٹھوس منافع درج کرنے میں کامیاب ہوا۔

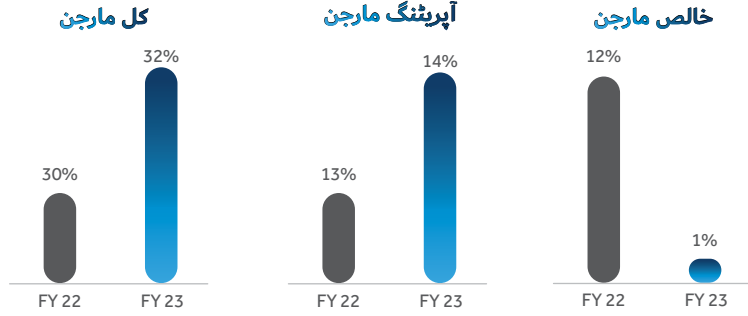
جو قیمتوں میں اضافے اور لاگت پر کنٹرول کے

باعث ممکن ہوا۔ نتیجتاً مارجن میں توسیع ہوئی۔



ڈائریکٹرز رپورٹ

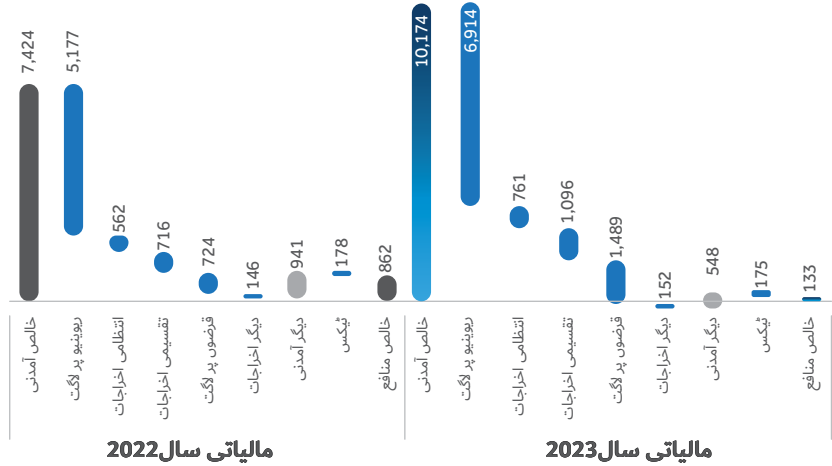
”منہرگائی کے باوجود نیٹ مارجن کے ذریعے آپریٹنگ مارجن کا کنٹرول قرضوں پر لاگت میں اضافے سے متاثر ہوا۔“



قرضوں پر لاگت کے بدترین اثرات واضح ہیں جو ملکی معاشی مسائل کے نتیجے میں قرض حاصل کرنے کی شرح میں اضافے سے منسوب کئے جا رہے ہیں۔ اگرچہ بینکوں کو جزوی ادائیگیوں کی گئیں لیکن قرضوں میں کمی ان پر لاگت کی وجہ سے محدود ہو گئی۔ جو گزشتہ برس کی نسبت 106% اضافے کے ساتھ 1,489 ملین روپے ہو گئے (مالیاتی سال 2022ء: 724 ملین روپے)۔ مزید برآں، THL کے امپیر منٹ ٹیسٹنگ کی گئی جس کے نتیجے میں 90 ملین روپے کے امپیر منٹ اخراجات سامنے آئے۔ اس کے برعکس، گزشتہ برس کے دوران FTMM میں سرمایہ کاری کی بابت 656 ملین روپے کی امپیر منٹ واپسی ہوئی۔ جس کے نتیجے میں، نفع علاوہ ٹیکس گزشتہ برس کی اسی مدت کی نسبت کم ہو کر 133 ملین روپے ہو گیا (مالیاتی سال 2022ء: 862 ملین روپے)

TCL - نفع میں اضافہ (ملین روپوں میں)

TCL کی منافع میں کمی کی بڑی وجہ ”قرضوں کے اصراف“ کی زیادہ لاگت ہے۔“



رائٹ اجرا

ٹریٹ کارپوریشن لمیٹڈ (TCL) نے حصص کے رائٹ اجرا کے ذریعے 2.5 بلین روپے سرمایہ بڑھانے کی حکمت عملی ظاہر کی۔ سرمایہ بڑھانے کا بنیادی مقصد حالیہ قلیل مدتی قرضہ ادا کر کے TCL کی بیلنس شیٹ میں مالیات کو مستحکم کرنا ہے۔ نتیجتاً، اس معاہدے کے ذریعے حاصل کیوڈیٹی دہرے مقاصد حاصل کرنے میں مدد دے گی۔ اولاً قرضوں کے زائد اصراف کو کم کرنا اور ثانیاً قرضوں پر لاگت کے بوجھ کو کم کر کے TCL کے توسیعی اقدامات کو سہارا دینا۔

ڈائریکٹرز رپورٹ

ہم 30 جون 2023ء کو اختتام پذیر سال کے لئے کمپنی کے ڈائریکٹرز کی رپورٹ بمعہ پڑتال شدہ مالیاتی اسٹیٹمنٹس ازراہ مسرت پیش کرتے ہیں۔

منظر نامہ

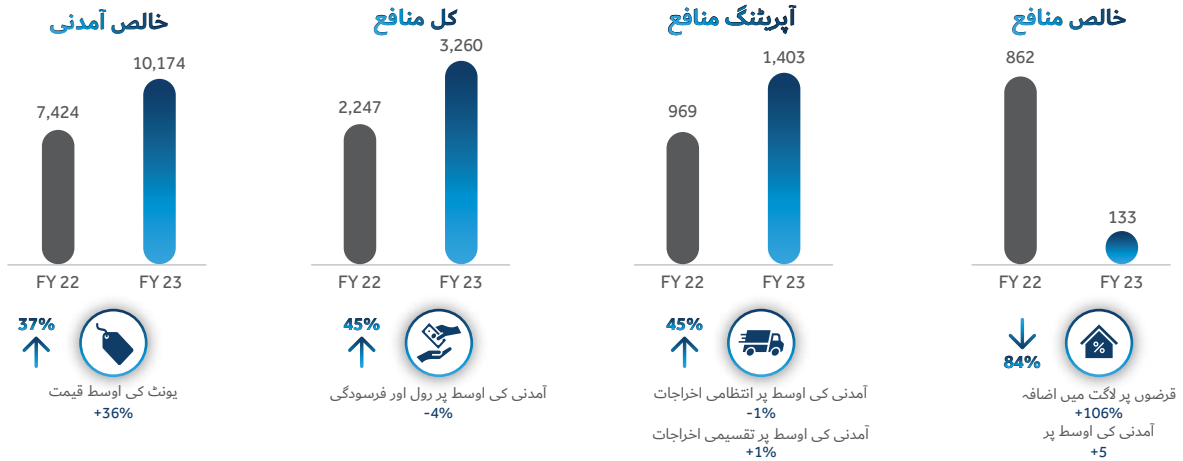
مالیاتی سال 2022/23ء کے دوران موجودہ معاشی بد حالی کے قطع نظر، گروپ نے قابل تعریف کارکردگی دکھائی ہے جو تمام کاروباری شعبوں میں مجموعی ترقی سے عیاں ہے۔ ٹاپ لائن ریونیو نے گذشتہ برس کی نسبت 48% کی پائیدار نمو ظاہر کی ہے۔ ہم نے سال بھر میں باقاعدگی سے قیمتوں میں ردوبدل کر کے منہگائی کے اثرات کو کافی حد تک میٹج کیا ہے جس سے پرافٹ مارجن میں خاطر خواہ اضافہ ہوا ہے۔ علاوہ ازیں، قرضوں کی لاگت میں نمایاں اضافے نے ایک نیا چیلنج پیش کیا ہے۔ بھاری قرضوں پر گروپ کے انحصار کو کم کرنے کا ہمارا عزم جاری ہے اور ہم TCL کے لئے رائٹس اجراء پر عمل کرنے جا رہے ہیں۔ رائٹس اجراء کی آمدنی سے بینکوں کے واجب الادا قرضوں کی ادائیگی میں مدد ملے گی۔

قرضوں پر ہماری حکمت عملی کے علاوہ ہم اپنے موجودہ پروڈکٹ پورٹ فولیو کے معیار کو بڑھانے اور بہتر مصنوعات متعارف کرانے کے لئے پرعزم ہیں۔ ان کاوشوں میں ہم دو منفرد مصنوعات: ریزرو مشتمل ریزروٹریٹ شیوگنگ فوم متعارف کرانے کے لئے تیار ہیں۔ یہ دونوں مصنوعات مالیاتی سال 2024ء کے دوران مارکیٹ میں داخل کر دی جائیں گی۔

کاروباری جائزہ - ٹریٹ کارپوریشن لمیٹڈ (TCL)

زیر جائزہ سال کے دوران TCL کا ٹاپ لائن ریونیو میں خاطر خواہ اضافہ دیکھنے کو ملا جب کہ نیٹ سیلز کا حجم گذشتہ برس کی اسی مدت کی نسبت 37% تک یعنی 7,424 ملین روپے سے 10,174 ملین روپے تک بڑھ گیا۔ یہ متاثر کن نمو برآمدات کی 53% فروخت میں اضافے اور ملکی سطح پر 30% اضافے سے منسوب کی جا رہی ہے۔ 3,260 ملین روپے کا کل منافع گذشتہ برس کے اعداد و شمار (مالیاتی سال 2022: 2,247 ملین روپے) کی نسبت 45% اضافے کی عکاسی کرتا ہے۔ یہ پیش رفت لاگت پر کنٹرول اور غیر ملکی و ملکی صارفین کو زیادہ منافع والی مصنوعات کی فروخت کی وجہ سے ممکن ہوئی۔ مزید برآں، منہگائی کے اثرات کو سال بھر کے دوران قیمتوں کے گاتار ردوبدل کے ذریعے کم کیا گیا جس کی مدد سے پرافٹ مارجن کو مستقل کیا گیا۔

”کمپنی نے مشکل ترین ماحول میں کام کرنے کے باوجود عمدہ کارکردگی دکھائی ہے۔“



آپریٹنگ منافع میں گذشتہ برس کی اسی مدت کی نسبت 45% کا نمایاں اضافہ ہوا جو 1,403 ملین روپے تک پہنچ گیا (مالیاتی سال 2022ء: 969 ملین روپے)۔ قابل ذکر امر یہ ہے کہ منہگائی کے باعث ایڈمنسٹریشن، سیلنگ اور ڈسٹری بیوشن اخراجات میں گذشتہ برس کی نسبت بالترتیب 36% اور 53% اضافہ ہوا۔

CORPORATE GOVERNANCE AND COMPLIANCE

Treet's corporate governance structure is based on the company's articles of association and statutory, regulatory and other compliance requirements applicable to companies listed on the stock exchange, complemented by several internal procedures. These procedures include a risk assessment and control system, as well as a system of assurances on compliance with the applicable laws, regulations and company's code of conduct.

Corporate Governance Statement

The Board of Directors is responsible for setting the goals, objectives and strategies the Company should adopt, and for formulating the policies and guidelines towards achieving those goals and objectives. The Board is accountable to the shareholders for the discharge of its fiduciary function. The management is responsible for the implementation of the aforesaid goals and strategies in accordance with the policies and guidelines laid down by the Board of Directors. To facilitate a smooth running of the day to day affairs of the Company, the Board entrusts the Chief Executive Officer and Chief Financial Officer with necessary powers and responsibilities. The Board is also assisted by a number of sub-committees comprising mainly of non-executive directors and independent directors.

Insider Trading & Competition Law

The Company has a stringent policy on insider trading and securities transactions. The policy paper, which is circulated to all the employees of the Company from time to time, divides the employees in certain categories based on their position and involvement in day-to-day decision-making process and access to price sensitive information.

As embodied in our Code of Conduct, Treet supports the principles of free enterprise and fair competition. The Company competes vigorously but fairly with its competitors within the framework of applicable laws - all to provide better and increasingly useful products and more efficient services to our customers.

Material Interests of Board Members

Directors are required to disclose, at the time of appointment and on an annual basis, the directorship or membership they hold in other companies. This is in pursuance with Section 205 of the Companies Act, 2017, which also requires them to disclose all material interests. We use this information to help us maintain an updated list of related parties. In case any conflict of interest arises, we refer the matter to the Board of Directors.

Risk Management

The Board has the overall responsibility of overseeing the risk management processes, which include both risk management and internal control procedures. The Company's processes, which are documented and regularly reviewed, are designed to safeguard assets and address risks that the businesses might face or that may impact business continuity. These are, in turn, reported to the Board and senior management for timely action where required to ensure uninterrupted operations.

The Company maintains a clear organizational structure with a well-defined chain of authority. Senior management is responsible for implementing procedures, monitoring risk and assessing the effectiveness of various controls.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

Treet Corporation Limited
Year ended June 30, 2023

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

- The total number of directors are eight (07) as per the following ,

- Male 06**
- Female 01**

- The composition of the Board is as follows:

| Category | Name |
|-----------------------------------|--|
| i. Independent Director | Dr. Salman Faridi Dr. Haroon Latif Khan |
| ii. Non – Executive Directors | Mr. Imran Azim Mr. Munir Karim Bana |
| iii. Executive Directors | Syed Shahid Ali Syed Sheharyar Ali |
| iv. Female / Independent Director | Ms. Sidra Fatima Sheikh |

The Board has a total number of seven (7) directors with two (2) executive directors. For a Board comprising of seven directors, one-third equates to 2.33. Two executive directors have been appointed - the fraction has not been rounded up as the Board believes that the present composition of the board has the right balance, and a mix of knowledge, expertise and skills to maximize performance.

- The Directors have confirmed that none of them are serving as a Director on more than seven listed companies, including this Company.
- The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

- The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
- The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- One of our Directors, Ms. Sidra Fatima Sheikh's training was undertaken during the year. Majority of the Directors of the Company are exempted from the requirement of Directors' Training program. The below mentioned Director's have procured the relevant exemption certificate(s) from the Securities and Exchange Commission of Pakistan (SECP):

- Syed Shahid Ali Shah
- Munir Karim Bana

Furthermore, Mr. Imran Azim and Dr. Salman Faridi are also exempted on the basis of their qualification and experience. The Company is in the process of procuring their respective exemption certificate(s) from SECP.

- No new appointments have been made during the year for the Chief Financial Officer

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

(CFO), the Company Secretary and the Head of Internal Audit. However, all such appointments including their remuneration and terms and conditions of employment were duly approved by the Board and complied with relevant requirements of the Regulations;

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

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

a. Audit Committee

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

b. Human Resource & Remuneration Committee

| | |
|-------------------------|------------|
| Ms. Sidra Fatima Sheikh | (Chairman) |
| Mr. Imran Azim | (Member) |
| Mr. Syed Shahid Ali | (Member) |

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

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

- a) Audit Committee (4 Quarterly)
- b) Human Resource & Remuneration Committee (1 Meetings)

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

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of Regulations 3,6,7,8,27,32,33 and 36 of the Regulations have been complied with.

19. Explanation for non-compliance with requirements, other than regulations 3,6,7,8,27,32,33 and 36 are below if applicable:

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

| Sr. No. | Requirement | Explanation | Regulation Number |
|----------------|---------------------------|---|--------------------------|
| 1 | Nomination Committee | Currently the Board has not constituted a separate nomination Committee and the functions are being performed by the Human Resource and Remuneration Committee. | 29 |
| 2 | Risk Management Committee | Similarly the Functions of Risk Management Committee are being performed by the Senior Management of the Company and apprise the Board accordingly. | 30 |



Mr. Imran Azim
Chairman (Outgoing)



Syed Shahid Ali
Chairman (Incoming)

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Treet Corporation Limited

TO THE MEMBERS OF TREET CORPORATION LIMITED REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Treet Corporation Limited (the Company) for the year ended June 30, 2023 in accordance with the requirements of regulation 36 of the Regulations.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit

approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2023.



Yousuf Adil
Chartered Accountants

Engagement Partner:
Muhammad Sufyan

Lahore

UDIN: CR2023101800vo6jVsdB

UN-CONSOLIDATED

FINANCIAL

STATEMENTS

For the year ended 30 June 2023

Independent Auditor's Report

To the members of Treet Corporation Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Treet Corporation Limited (the Company) which comprise the unconsolidated statement of financial position as at June 30, 2023, and the unconsolidated statement of profit or loss, unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit or loss, unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matter(s):

| Key audit matter | How the matter was addressed in our audit |
|--|---|
| <p>Revenue Recognition</p> <p>The Company's sales comprise of revenue from the local and export sale of blades and razors which has been disclosed in note 33 to the unconsolidated financial statements.</p> <p>Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, revenue recognition criteria has been explained in note 5.17 to the unconsolidated financial statements.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of control of the goods to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p> | <p>Our audit procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none">• Obtained an understanding of and assessing the design and implementation and operating effectiveness of controls around recognition of revenue;• Assessed the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;• Checked on a sample basis whether the recorded local and export sales transactions are based on satisfaction of performance obligation (i.e. on delivery of goods and after issue of gate passes for local sales and on shipment of goods for export sales).• Tested timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents.• Evaluated the adequacy and appropriateness of disclosures made in the unconsolidated financial statements. |

Independent Auditor's Report

| Key audit matter(s) | How the matter was addressed in our audit |
|---|--|
| <p>Valuation of Stock-in-trade</p> <p>Stock in trade has been valued following an accounting policy as stated in note 5.10 to the unconsolidated financial statements and the value of stock in trade is disclosed in note 11 to the unconsolidated financial statements. Stock in trade forms material part of the Company's assets comprising around 11% of total assets.</p> <p>The valuation of stock in trade is carried at lower of cost and net realizable value (NRV). Cost as different components, which includes judgement in relation to allocation of overhead costs, which are incurred in bringing the finished goods to its present location and condition. Judgements are also involved in determining the NRV of stock in trade in line with the accounting policy.</p> <p>Due to the above factors, we have considered the valuation of stock in trade as a key audit matter.</p> | <p>Our audit procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of mechanism of recording purchases and valuation of stock in trade and testing the design and implementation of key internal controls; • On a sample basis, verified supporting documents for purchases of raw materials and the production costs; • Verified calculations of actual production costs and checked allocation of these costs to work in process and finished goods; • Obtained an understanding and assessed reasonableness of the management's process for determination of NRV and the key estimates adopted, including future selling prices, future costs to complete and costs necessary to make the sales and their basis; • Compared the NRV, on a sample basis, to the carrying value of stock in trade to assess whether any adjustments were required to carrying value of inventories in accordance with the policy; and • For valuation of goods in transit, verified the supporting documents on sample basis. • Reviewed the adequacy of disclosure made in the unconsolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards. |
| <p>Recoverability of long-term investments</p> <p>Refer notes 5.6 and 8 to the unconsolidated financial statements. As at June 30, 2023, the carrying value of the Company's long-term investments was Rs. 11,377 million. The management conducted impairment test to assess the recoverability of the carrying value of the Company's long-term investments and recognized a further impairment loss of Rs. 90.66 million.</p> <p>We have identified assessing the carrying value of long-term investments as a key audit matter due to the significance of this balance to the unconsolidated financial statements as well as significance of management's judgements in determining the recoverable amount.</p> | <p>Our audit procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none"> • Discussed with the Company's management key assumptions used in valuation model and testing the mathematical accuracy of the model; • Evaluated the assumptions and judgements adopted by management in its discounted cash flow analysis (i-e growth rate, terminal values and discount rate) used to derive the recoverable amount of the investment in subsidiary; • Checked the recoverable amount of listed investments using externally quoted market prices; • Compared the recoverable amount of investments with their carrying values to identify the additional impairment loss or reversal, as the case may be; and • Reviewed the adequacy of disclosure made in the unconsolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards. |

Information Other than the Unconsolidated Financial Statements, Consolidated Financial Statements and Auditor's Reports Thereon

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

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

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge

Independent Auditor's Report

obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Independent Auditor's Report

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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



Yousuf Adil
Chartered Accountants

Lahore

UDIN: AR20231018015MIGNxVp

Unconsolidated Statement of Financial Position

As at 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|------|------------------------------|-------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 7,417,682 | 7,664,616 |
| Intangible asset | 7 | 1,313 | 15,389 |
| Long term investments | 8 | 11,377,175 | 11,467,835 |
| Long term loans | 9 | 2,752 | 6,310 |
| Long term security deposits | | 20,282 | 19,914 |
| | | 18,819,204 | 19,174,064 |
| Current assets | | | |
| Stores and spares | 10 | 278,929 | 295,269 |
| Stock in trade | 11 | 2,858,633 | 1,975,521 |
| Short term investments | 12 | 97,726 | 98,894 |
| Trade debts | 13 | 290,342 | 161,603 |
| Loans, advances, deposits, prepayments and other receivables | 14 | 4,704,382 | 3,462,488 |
| Employees provident fund | | 5,997 | - |
| Cash and bank balances | 16 | 189,318 | 266,399 |
| | | 8,425,327 | 6,260,174 |
| Liabilities | | | |
| Current liabilities | | | |
| Short term borrowings-Secured | 17 | 5,828,618 | 6,943,813 |
| Current portion of long term finances | 23 | 91,601 | 86,047 |
| Current portion of government grant | 24 | - | 504 |
| Trade and other payables | 18 | 2,048,522 | 1,187,660 |
| Employees provident fund | | - | 2,210 |
| Unclaimed dividend | | 15,568 | 15,624 |
| Accrued mark-up | 19 | 381,119 | 214,337 |
| Current portion of lease liabilities | 21 | 8,840 | 8,234 |
| Provision for taxation-net | 20 | 732 | 17,454 |
| | | 8,375,000 | 8,475,883 |
| Net current liabilities | | 50,327 | (2,215,709) |
| Non-current liabilities | | | |
| Long term deposits | 22 | 13,853 | 5,603 |
| Long term finances - secured | 23 | 2,187,500 | 778,597 |
| Deferred liabilities - employee retirement benefits | 25 | 1,103,599 | 886,938 |
| Deferred taxation | 26 | 236,417 | 243,963 |
| Lease liabilities | 21 | 8,155 | 13,405 |
| | | 3,549,524 | 1,928,506 |
| | | 15,320,007 | 15,029,849 |
| Contingencies and commitments | 28 | | |
| Represented by: | | | |
| Authorized capital | | | |
| 750,000,000 (2022: 250,000,000) ordinary shares of Rs. 10 each | | 7,500,000 | 2,500,000 |
| 150,000,000 (2022: 150,000,000) preference shares of Rs. 10 each | | 1,500,000 | 1,500,000 |
| | | 9,000,000 | 4,000,000 |
| Issued, subscribed and paid up capital | 29 | 1,787,211 | 1,787,211 |
| Reserves | 30 | 5,172,461 | 5,172,461 |
| Unappropriated profit | | 2,914,546 | 2,808,409 |
| Surplus on revaluation of property, plant and equipment - net of tax | 31 | 5,215,789 | 5,261,768 |
| Loan from director | 32 | 230,000 | - |
| | | 15,320,007 | 15,029,849 |

The annexed notes 1 to 54 form an integral part of these unconsolidated financial statements.

LAHORE
28th September 2023


Syed Sheharyar Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Shahid Ali
Director

Unconsolidated Statement of Profit or Loss

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|-------------------------------------|------|------------------------------|-------------|
| Revenue - net | 33 | 10,173,875 | 7,423,897 |
| Cost of revenue | 34 | (6,913,631) | (5,177,182) |
| Gross profit | | 3,260,244 | 2,246,715 |
| Administrative expenses | 35 | (761,857) | (561,534) |
| Distribution cost | 36 | (1,096,011) | (716,244) |
| | | (1,857,868) | (1,277,778) |
| Operating profit | | 1,402,376 | 968,937 |
| Finance cost | 37 | (1,489,112) | (724,330) |
| Other operating expenses | 38 | (152,430) | (146,065) |
| | | (1,641,542) | (870,395) |
| Other income | 39 | 547,715 | 941,139 |
| Profit before taxation | | 308,549 | 1,039,681 |
| Taxation | 40 | (175,096) | (177,851) |
| Profit for the year | | 133,453 | 861,830 |
| Earnings per share | | | |
| Basic earnings per share (Rupees) | 41 | 0.75 | 4.88 |
| Diluted earnings per share (Rupees) | 41 | 0.75 | 4.85 |

The annexed notes 1 to 54 form an integral part of these unconsolidated financial statements.

LAHORE
28th September 2023


Syed Sheharyar Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Shahid Ali
Director

Unconsolidated Statement of Comprehensive Income

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|----------|
| Profit for the year | | 133,453 | 861,830 |
| <u>Other comprehensive income</u> | | | |
| <i>Items that will not be subsequently reclassified to statement of profit or loss:</i> | | | |
| - Re-measurement of employee retirement benefits | | (59,339) | (55,845) |
| - Re-measurement of employee retirement benefits - tax | | 46,237 | 31,442 |
| - Effect of change in tax rate on account of surplus on revaluation of buildings | | (60,193) | - |
| | | (73,295) | (24,403) |
| Total comprehensive income for the year | | 60,158 | 837,427 |

The annexed notes 1 to 54 form an integral part of these unconsolidated financial statements.

LAHORE
28th September 2023


Syed Sheharyar Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Shahid Ali
Director

Unconsolidated Statement of Cash Flows

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|-------------|
| Cash generated from operations | 42 | 1,099,643 | (940,783) |
| Income tax paid | | (227,547) | (147,178) |
| Finance cost paid | | (1,322,330) | (670,931) |
| Contributions to defined benefit plans | | (69,790) | (169,075) |
| Long term loans and deposits - net | | 11,440 | 437 |
| | | (1,608,227) | (986,747) |
| Net cash used in from operating activities | | (508,584) | (1,927,530) |
| Cash flows from investing activities | | | |
| Fixed capital expenditure | | (129,838) | (342,943) |
| Proceeds from disposal of property, plant and equipment | | 25,216 | 41,609 |
| Proceeds from disposal of long term investments | | - | 4,809 |
| Proceeds from disposal of short term investments | | - | 271,789 |
| Profit received on bank deposits | | 13,870 | 8,531 |
| Dividend received | 39.2 | 949 | 1,705 |
| Net cash used in from investing activities | | (89,803) | (14,500) |
| Cash flows from financing activities | | | |
| Proceeds from issue of share capital under ESOS | | - | 94,605 |
| Receipts from long term finances | | 1,500,000 | 750,000 |
| Repayments of long term finances | | (86,047) | (142,995) |
| Lease rentals paid - principal | | (7,398) | (8,826) |
| Receipts of short term borrowings | | 1,258,581 | 657,482 |
| Repayments of short term borrowings | | (2,123,110) | (407,974) |
| Loan received from director | | 230,000 | - |
| Dividend paid | | (56) | (172,437) |
| Net cash generated from financing activities | | 771,970 | 769,855 |
| Net increase / (decrease) in cash and cash equivalents | | 173,583 | (1,172,175) |
| Cash and cash equivalents at beginning of year | | (4,565,075) | (3,392,900) |
| Cash and cash equivalents at end of year | 43 | (4,391,492) | (4,565,075) |

The annexed notes 1 to 54 form an integral part of these unconsolidated financial statements.

LAHORE
28th September 2023


Syed Sheharyar Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Shahid Ali
Director

Unconsolidated Statement of Changes in Equity

For the year ended 30 June 2023

| | Capital Reserves | | | | Revenue Reserves | | Total | |
|---|------------------|---------------|-----------------|----------------------|---|-----------------|-----------|------------------------|
| | Share Capital | Share Premium | Capital Reserve | Loan from a director | Surplus on revaluation of land and buildings - net of tax | General Reserve | | Un-appropriated Profit |
| ----- (Rupees in thousand) ----- | | | | | | | | |
| Balance as at 30 June 2021 | 1,748,343 | 4,849,695 | 629 | - | 5,332,251 | 266,400 | 2,101,491 | 14,298,809 |
| Total comprehensive income for the year | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 861,830 | 861,830 |
| Other comprehensive loss | - | - | - | - | - | - | (24,403) | (24,403) |
| | - | - | - | - | - | - | 837,427 | 837,427 |
| Incremental depreciation relating to surplus on revaluation of buildings - net of tax | - | - | - | - | (44,324) | - | 44,324 | - |
| Effect of change in tax rate on account of surplus on revaluation of buildings | - | - | - | - | (26,159) | - | - | (26,159) |
| Transactions with owners of the Company, contributions and distributions | | | | | | | | |
| Issuance of shares under employee stock option scheme | 38,868 | 55,737 | - | - | - | - | - | 94,605 |
| Transfer to share premium on issuance of shares under employee share option scheme (ESOS) | - | - | - | - | - | - | (174,833) | (174,833) |
| | 38,868 | 55,737 | - | - | - | - | (174,833) | (80,228) |
| Balance as at 30 June 2022 | 1,787,211 | 4,905,432 | 629 | - | 5,261,768 | 266,400 | 2,808,409 | 15,029,849 |
| Total comprehensive loss for the year | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 133,453 | 133,453 |
| Other comprehensive loss | - | - | - | - | - | - | (73,295) | (73,295) |
| | - | - | - | - | - | - | 60,158 | 60,158 |
| Incremental depreciation relating to surplus on revaluation of buildings - net of tax | - | - | - | - | (45,979) | - | 45,979 | - |
| Transactions with owners of the Company, contributions and distributions | | | | | | | | |
| Loan received from a director | - | - | - | 230,000 | - | - | - | 230,000 |
| Balance as at 30 June 2023 | 1,787,211 | 4,905,432 | 629 | 230,000 | 5,215,789 | 266,400 | 2,914,546 | 15,320,007 |

The annexed notes 1 to 54 form an integral part of these unconsolidated financial statements.

LAHORE
28th September 2023


Syed Sheharyar Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Shahid Ali
Director

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

1 STATUS AND NATURE OF THE BUSINESS

- 1.1 Treet Corporation Limited (the "Company") was incorporated in Pakistan on 22 January 1977 as a public limited company under the Companies Act, 1913 (now Companies Act, 2017). Its shares are quoted on Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of razors and razor blades along with other trading activities. The registered office of the Company is situated at 72-B, Industrial Area Kot Lakhpat, Lahore. The manufacturing facilities of the Company are located at 72-B Kot Lakhpat, Industrial Area, Lahore and at Hali Road, Hyderabad. Furthermore, Company has its sales warehouses located in Lahore, Quetta and Rawalpindi.

2 BASIS OF PREPARATION

2.1 Separate financial statements

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

The Company has the following investments in subsidiaries and associate:

| Name of Company | 2023 (Direct holding percentage) | 2022 |
|--------------------------------------|-------------------------------------|--------|
| Subsidiaries | | |
| - Treet Holdings Limited | 100.00 | 100.00 |
| - First Treet Manufacturing Modaraba | 97.11 | 97.11 |
| - Renacon Pharma Limited | 55.86 | 55.86 |
| - Treet Battery Limited | 97.09 | - |
| Associate | | |
| - Loads Limited | 12.49 | 12.49 |

2.2 Statement of compliance

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

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

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

2.3 Basis of measurement

These unconsolidated financial statements have been prepared on the historical cost convention except for certain items of property, plant and equipment which are stated at revalued amounts, investment in listed securities which are stated at their fair values and recognition of employee retirement benefits which are stated at present value. The methods used to measure fair values/present values are discussed further in their respective policy notes.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

2.4 Functional and presentation currency

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

3 USE OF ESTIMATES AND JUDGEMENTS

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

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

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

3.1 Property, plant and equipment

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

3.2 Stores and spares

The Company reviews the stores and spares for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding effect on the provision.

3.3 Stock-in-trade

The Company reviews the carrying amount of stock-in-trade on a regular basis. Carrying amount of stock-in-trade is adjusted where the net realizable value is below the cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.4 Expected credit loss (ECL) against trade debts, deposits, advances and other receivables

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

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

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

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

3.5 Employee benefits

The Company operates approved funded gratuity and superannuation scheme covering all its full time permanent employees who have completed the minimum qualifying period of service as defined under the respective scheme. The gratuity and superannuation schemes are managed by trustees. The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis.

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

3.6 Recoverable amount of non financial assets / cash generating unit and impairment

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

3.7 Taxation

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

The Company also regularly reviews the trend of proportion of incomes between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

3.8 Provisions

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

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

3.9 Offsetting of financial assets and liabilities

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

3.10 Contingencies

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

3.11 Revaluation of property, plant and equipment

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

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

3.12 Lease term

The Company applies judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED DURING THE YEAR

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

4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract

Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

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

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

| | Effective from Accounting period beginning on or after |
|---|---|
| Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies | January 01, 2023 |
| Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates | January 01, 2023 |
| Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction. | January 01, 2023 |
| Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current | January 01, 2024 |
| Amendments to IFRS 16 'Leases' - Clarification on how seller-lessee subsequently measures sale and leaseback transactions | January 01, 2024 |
| Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements | January 01, 2024 |
| Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred indefinitely |

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements, except as described in note 5.1.

5.1 Employee benefits

Defined contribution plans

The Company has maintained two contributory schemes for the employees, as below:

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

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

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

Defined benefit plans

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

The calculation of defined benefit obligation is performed annually by a qualified actuary using the 'Projected Unit Credit Method' and latest actuarial valuation has been carried out at 30 June 2021. When calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Actual gains and losses arising from experience, adjustments and changes in actuarial assumptions are charged to equity through other comprehensive income in the year in which they arise. Past service costs are recognized immediately in the statement of profit or loss. The main features of defined benefit schemes are mentioned in note 26 to these unconsolidated financial statements.

Employee Stock Option Scheme

The Company operates an equity settled stock option scheme to be called 'Treet Corporation Limited - Employees Stock Option Scheme, 2015'. The Compensation Committee ("Committee") of the Board of Directors ("Board") evaluates the performance and other criteria of employees and recommends to the Board for grant of options. The Board on the recommendation of the committee, on its discretion, grants recommended options to employees.

These options vest after a specified period subject to fulfillment of certain conditions as defined in the scheme. Upon vesting, employees are eligible to apply and secure allotment of Company's shares at a pre-determined price on the date of grant of options. The main features of the scheme are mentioned in note 28 to these unconsolidated financial statements.

The grant date fair value of equity settled share based payments to employees, determined as option discount as allowed by Public Companies (Employee Stock Option Scheme) Rules 2001, is recognized as employee compensation expense on a straight line basis over the vesting period with a consequent credit to equity as employee stock option compensation reserve. The deferred employee stock option cost is shown as a deduction from employee stock option compensation reserve. Option discount means the excess of market price of the share at the date of grant of an option under a Scheme over exercise price of the option.

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in the statement of profit or loss, such employee compensation expense is reversed in the profit or loss account equal to the amortized portion with a corresponding effect to employee stock option compensation reserve equal to the un-amortized portion.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the statement of profit or loss is reversed with a corresponding reduction to employee stock option compensation reserve. When the options are exercised, employee stock option compensation reserve relating to these options is transferred to share capital and share premium. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium.

5.2 Taxation

Current

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

Deferred

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

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

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

Deferred tax is charged in the statement of profit or loss, except in the case of items charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

5.3 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment loss, if any, except for freehold land, buildings on freehold land and plant and machinery. Freehold land is stated at revalued amount determined based on valuation carried out by independent valuers by reference to its current market price less impairment loss, if any. Buildings on freehold land is stated at revalued amount determined based on valuation carried out by independent valuers by reference to its current market price less accumulated depreciation and impairment loss, if any. Previously, plant and machinery was carried at cost less accumulated depreciation and impairment loss, however during the year, the Board of Directors of the Company in their meeting dated 29 June 2021 approved the change in accounting policy and now, plant and machinery is stated at revalued amount, which is determined based on valuation carried out by independent valuer as at 30 June 2021. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the related asset, and the net amount is restated to the revalued amount.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

Increase in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decrease that offset previous increase of the same assets are charged against this surplus, all other decrease's are charged to the statement of profit or loss.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss, and depreciation based on the asset's original cost is transferred from 'surplus on revaluation of property, plant and equipment' to 'equity'. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred income tax.

Depreciation is charged to statement of profit or loss, unless it is included in the carrying amount of another asset, on straight line method whereby cost of an asset is written off over its estimated useful life as disclosed in note 6.1 to these unconsolidated financial statements.

Depreciation on additions to property, plant and equipment is charged from the day on which an asset is available for use till the day the asset is fully depreciated or disposed off. Assets, which have been fully depreciated, are retained in the books at a nominal value of Rupee 1. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

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

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

Capital work in progress

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

5.4 Intangible assets

Intangible assets represent the cost of computer software (ERP system) and are stated at cost less accumulated amortization and any identified impairment loss. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the statement of profit or loss as incurred.

All intangibles are amortized over the period of five years on a straight line basis as referred in note 8 so as to write off the cost of an asset over its estimated useful life. Amortization on additions to intangible assets is charged from the day on which an asset is available for use till the day the asset is fully amortized or disposed off.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

5.5 Leases

The Company is the lessee.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

At initial recognition, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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

Lease payments include fixed payments, variable lease payments that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

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

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

5.6 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital are included in current assets, all other investments are classified as non-current. Management determines the classification of its investments at the time of purchase depending on the purpose for which the investments are required and re-evaluates this classification on regular basis.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

Investment in subsidiaries and associates

Investments in subsidiaries and associates where the Company has control / significant influence are measured at cost less impairment, if any, in the Company's separate financial statements. At subsequent reporting date, the recoverable amounts of investments are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in the statement of profit or loss. Investments in subsidiaries and associates that have suffered an impairment are reviewed for possible reversal of impairment at each reporting date. Where impairment losses are subsequently reversed, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. Impairment losses recognized in the statement of profit or loss on investments in subsidiaries and associates are reversed through the statement of profit or loss.

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27, 'Separate Financial Statements'. Investments in associates, in the consolidated financial statements, are being accounted for using the equity method.

5.7 Impairment

Financial assets

The Company recognizes loss allowances for ECLs on:

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

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

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovery of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non-financial assets

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

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of profit or loss. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

5.8 Financial Instruments

5.8.1 Recognition and initial measurement

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

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

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

5.8.2 Classification and subsequent measurement

Financial assets

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

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

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

Amortized cost

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

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

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

Financial assets measured at amortized cost comprise of cash and bank balances, deposits, long term loans, trade debts, term deposits and other receivable.

Debt Instrument - FVOCI

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

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

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

Equity Instrument - FVOCI

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

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

These assets are subsequently measured at fair value. Dividends are recognized as income in statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to statement of profit or loss.

Equity instrument at fair value through other comprehensive income comprises of long term investment in Techlogix International Limited.

Fair value through profit or loss (FVTPL)

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

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of profit or loss.

Financial assets at fair value through profit or loss comprise of short term investment in listed equity securities and long term receivables.

Financial assets – Business model assessment:

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

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

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

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on derecognition is also recognized in statement of profit or loss.

Financial liabilities comprise trade and other payables, short term borrowings, long term financing, current portion of long term liabilities, long term deposits, accrued markup and unclaimed dividend.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

5.8.3 Derecognition

Financial assets

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

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

Financial liabilities

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

5.9 Stores and spares

These are valued at the moving average cost except for items in transit, which are valued at invoice price and related expenses incurred up to the balance sheet date. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores and spares.

5.10 Stock in trade

Stock of raw materials, packing materials, work in process and finished goods is valued at lower of moving weighted average cost and net realizable value, except for stock in transit which is valued at invoice price and related expenses. Cost in relation to work in process and finished goods includes direct production costs such as raw materials, consumables, labor and appropriate proportion of production overheads.

Finished goods purchased for resale are valued at moving average cost of purchase and comprise of purchase price and other costs incurred in bringing the material to its present location and condition.

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

5.11 Trade debts, loans, deposits and other receivables

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

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

5.12 Cash and cash equivalents

Cash and cash equivalents are carried at amortized cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, current and deposit account balances with banks, term deposit receipt and outstanding balance of running finance facilities availed by the Company.

5.13 Mark-up bearing borrowings

Borrowings are recognized initially at the proceeds received. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest rate method. Finance costs are accounted for on accrual basis and are reported under accrued markup to the extent of the amount remaining unpaid.

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

5.14 Trade and other payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received whether or not billed to the Company.

5.15 Provisions

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

A provision for warranties is recognized when the underlying products or services are sold, based on historical data and a weighting of possible outcomes against their associated probabilities.

5.16 Foreign currency translation

Foreign currency transactions are translated into Pakistan Rupees which is the Company's functional and presentation currency using the exchange rates approximating those prevailing at the date of the transaction.

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

5.17 Revenue recognition

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

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

5.17.1 Sale of goods

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

5.18 Dividends

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

5.19 Interest income

Interest income is recognised as it accrues under the effective interest method.

5.20 Contract liabilities

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. It also includes refund liabilities arising out of customers' right to claim amounts from the Company on account of contractual delays in delivery of performance obligations and incentive on target achievements.

5.21 Borrowing costs

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

5.22 Research and development costs

Research and development costs are charged to statement of profit or loss as and when incurred.

5.23 Dividend to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit and as a liability in the Company's unconsolidated statement of financial position in the year in which the dividends are approved by the Board of Directors or the Company's shareholders as the case may be.

5.24 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5.25 Government grant

The Company follows deferral method of accounting for government grant related to subsidized long term financing. Government grant is initially recognized as deferred grant and measured as the difference between the initial carrying value of the long term loan recorded at market rate (i.e. fair value of the long term loan in this case) and the proceeds of subsidized long term loan received. In subsequent years, the grant is recognized in statement of profit or loss account, in line with the recognition of interest expenses the grant is compensating and is presented as a reduction of related interest expense.

5.26 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS with weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

5.27 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention and ability to settle on a net basis, or realize the asset and settle the liability simultaneously.

5.28 Share Capital

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

| | Note | 2023 (Rupees in thousand) | 2022 |
|--------------------------|--------------------------------------|------------------------------|-----------|
| 6 | PROPERTY, PLANT AND EQUIPMENT | | |
| Operating fixed assets | 6.1 | 7,116,022 | 7,375,524 |
| Capital work in progress | 6.2 | 301,660 | 289,092 |
| | | 7,417,682 | 7,664,616 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

6.1 Operating fixed assets

| | | 2023 | | | | | | | |
|---|-------------------------------|--|-------------------------|--|--|--------------------------------|--|--|--------------------------------|
| | | (Rupees in thousand) | | | | | | | |
| | Annual rate of depreciation % | Cost / revalued amount as at July 01, 2022 | Additions / (Deletions) | Cost / revalued amount as at June 30, 2023 | Accumulated depreciation as at July 01, 2022 | Elimination due to revaluation | Depreciation charge / (deletions) for the year | Accumulated depreciation as at June 30, 2023 | Book value as at June 30, 2023 |
| Owned | | | | | | | | | |
| Freehold land - note 6.11 | - | 4,275,500 | - | 4,275,500 | - | - | - | - | 4,275,500 |
| Buildings on free hold land - note 6.11 | 5 | 695,791 | - | 695,791 | 34,966 | - | 34,966 | 69,932 | 625,859 |
| Right of use asset - building | 15-35 | 34,174 | 16,265 (20,510) | 29,929 | 16,418 | - | 9,580 (10,172) | 15,826 | 14,103 |
| Plant and machinery | 10 | 2,370,818 | 9,962 | 2,380,780 | 230,826 | - | 238,721 | 469,547 | 1,911,233 |
| Furniture and equipment | 10 | 149,161 | 2,952 (417) | 151,696 | 63,598 | - | 13,602 (262) | 76,938 | 74,758 |
| Computer & IT equipment | 25 | 68,136 | 12,407 (1,544) | 78,999 | 58,922 | - | 5,575 (1,222) | 63,275 | 15,724 |
| Vehicles | 20 | 422,334 | 91,232 (47,987) | 465,579 | 235,659 | - | 67,086 (36,011) | 266,734 | 198,845 |
| | | 8,015,914 | 132,818 (70,458) | 8,078,274 | 640,389 | - | 369,530 (47,667) | 962,252 | 7,116,022 |

| | | 2022 | | | | | | | |
|---|-------------------------------|--|-------------------------|--|--|--------------------------------|--|--|--------------------------------|
| | | (Rupees in thousand) | | | | | | | |
| | Annual rate of depreciation % | Cost / revalued amount as at July 01, 2021 | Additions / (Deletions) | Cost / revalued amount as at June 30, 2022 | Accumulated depreciation as at July 01, 2021 | Elimination due to revaluation | Depreciation charge / (deletions) for the year | Accumulated depreciation as at June 30, 2022 | Book value as at June 30, 2022 |
| Owned | | | | | | | | | |
| Freehold land - note 6.11 | - | 4,275,500 | - | 4,275,500 | - | - | - | - | 4,275,500 |
| Buildings on free hold land - note 6.11 | 5 | 695,791 | - | 695,791 | - | - | 34,966 | 34,966 | 660,825 |
| Right of use asset - building | 15-35 | 32,865 | 1,309 | 34,174 | 7,673 | - | 8,745 | 16,418 | 17,756 |
| Plant and machinery | 10 | 1,975,632 | 395,186 | 2,370,818 | - | - | 230,826 | 230,826 | 2,139,992 |
| Furniture and equipment | 10-25 | 196,780 | 22,236 (1,719) | 217,297 | 106,253 | - | 17,532 (1,264) | 122,521 | 94,776 |
| Vehicles | 20 | 408,003 | 86,103 (71,772) | 422,334 | 231,239 | - | 62,252 (57,832) | 235,659 | 186,675 |
| | | 7,584,571 | 504,834 (73,491) | 8,015,914 | 345,165 | - | 354,321 (59,096) | 640,390 | 7,375,524 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

6.1.1 Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

| Location | Usage of Immovable Property | Total area (acres) | Covered Area (Square Feet) |
|--|--------------------------------------|--------------------|----------------------------|
| Main Haali/ Link Road Hyderabad | Manufacturing facility | 5.49 Acres | 239,057 |
| 72-B Main Peco Road, Kot Lakhpat Lahore | Head Office & Manufacturing facility | 11.62 Acres | 506,167 |
| Warehouse land, 14 Km Multan Road, Lahore | Warehouse | 1.5 Acres | 65,340 |
| 05 Km off Ferozpur Road, Gajju Matta, Kacha Road, Lahore | Warehouse | 10.29 Acres | 448,232 |

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|------|------------------------------|-----------|
| 6.1.2 Depreciation charge for the year has been allocated as follows: | | | |
| Cost of sales | 34 | 319,996 | 303,091 |
| Administrative expenses | 35 | 38,333 | 33,487 |
| Distribution cost | 36 | 10,902 | 17,743 |
| | | 369,231 | 354,321 |
| 6.1.3 Had there been no revaluation, the net book value of specific classes of operating fixed assets would have been as follows: | | | |
| Land | | 111,933 | 111,933 |
| Buildings | | 285,117 | 303,283 |
| Plant and machinery | | 934,387 | 1,117,938 |
| | | 1,331,437 | 1,533,154 |
| 6.1.4 The latest valuation of Company's assets was carried as at 30 June 2021 by an independent valuer named Medallion Servies Private Limited and Dimensions Evaluators & Consultants Private Limited and the forced sale value as at that date is as follows: | | | |
| Land | | 3,634,175 | |
| Buildings | | 591,424 | |
| Plant and machinery | | 1,580,507 | |
| | | 5,806,106 | |

6.1.5 All assets of the Company as at 30 June 2023 are located in Pakistan and are in the name of the Company.

6.1.6 The following assets were disposed off during the year having net book value above Rs 0.5 million:

| Particulars | Cost | Accumulated depreciation | Book value | Sale proceeds | Gain/(loss) | Mode of disposal | Relationship with the Company | Particulars of purchaser |
|----------------------------------|---------------|--------------------------|--------------|---------------|----------------|------------------|-------------------------------|--------------------------|
| ----- (Rupees in thousand) ----- | | | | | | | | |
| Vehicles | | | | | | | | |
| Honda Civic | 4,012 | 1,436 | 2,576 | 2,652 | 76 | Company Policy | Employee | Farid Rasheeed |
| Glory-580 Pro | 4,500 | 1,625 | 2,875 | 3,607 | 732 | Company Policy | Employee | Hussain Yousaf |
| Toyota-Yaris | 2,888 | 16 | 2,872 | - | (2,872) | Company Policy | Employee | Sohail Habib |
| Suzuki Cultus | 875 | 14 | 861 | 35 | (826) | Company Policy | Employee | Anis Gohar Sheihk |
| Suzuki Cultus | 990 | 198 | 792 | 120 | (672) | Company Policy | Employee | Sameer Malik |
| 2023 | 13,265 | 3,289 | 9,976 | 6,414 | (3,562) | | | |
| 2022 | 15,878 | 7,886 | 7,992 | 10,768 | 2,776 | | | |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

6.17 Right of use asset

The company has lease contracts of its Lahore Gulberg Office, Lahore Rest House, Karachi Sales Office, Multan Sales Office and Hyderabad Warehouse buildings. Lease terms are made for fixed period, subject to renewal upon mutual consent of both parties. Where applicable, the company seeks to include extension and termination options to provide operational flexibility. Lease terms are negotiated on individual basis and contain a wide range of different terms and conditions. Management exercise significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|-------|------------------------------|----------------|
| 6.2 Capital work in progress | | | |
| Civil works | | 4,652 | 2,783 |
| Plant and machinery | | 244,900 | 190,709 |
| Furniture and equipment | | 33,723 | 19,395 |
| Vehicles | | 18,385 | - |
| Advances for capital expenditure | | - | 76,205 |
| | | 301,660 | 289,092 |
| 6.2.1 Movement in capital work-in-progress - at cost | | | |
| As at 01 July | | 289,092 | 475,833 |
| Additions during the year | | 129,838 | 376,666 |
| Opening advances and intransit realized | | - | (58,848) |
| Less: Transfers to operating fixed assets | | (117,270) | (503,525) |
| Less: Charged off during the year | | - | (1,034) |
| As at 30 June | | 301,660 | 289,092 |
| 7 INTANGIBLE ASSET | | | |
| Intangible asset represents computer software (ERP system) | | | |
| 7.1 Oracle computer software and implementation | | | |
| Cost | | | |
| As at 01 July | | 73,836 | 73,836 |
| Addition during the year | | 716 | - |
| | | 74,552 | 73,836 |
| Accumulated amortization | | | |
| As at 01 July | | (58,447) | (43,680) |
| Amortization for the year | 7.1.1 | (14,792) | (14,767) |
| | | (73,239) | 58,447 |
| Balance as at 30 June | | 1,313 | 15,389 |
| Rate of amortization | | 20% | 20% |

7.1.1 Amortization on intangible assets has been charged to administration expenses.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|---------|------------------------------|------------|
| 8 LONG TERM INVESTMENTS | | | |
| In equity instruments of subsidiaries - at cost | 8.1 | 11,081,553 | 11,172,213 |
| In equity instruments of associate - at cost | 8.2 | 287,455 | 287,455 |
| Fair value through OCI | 8.3 | 8,167 | 8,167 |
| | | 11,377,175 | 11,467,835 |
| 8.1 In equity instruments of subsidiaries - at cost | | | |
| <u>Treet Holdings Limited - unquoted</u> | | | |
| 71,104,740 (2022: 71,104,740) fully paid ordinary shares of Rs. 10 each | 8.1.1 | 675,137 | 675,137 |
| Equity held: 100 % (2022: 100 %) | | | |
| Chief Executive Officer - Syed Shahid Ali | | | |
| Less: Accumulated impairment allowance | 8.1.1.1 | (356,518) | (265,858) |
| | | 318,619 | 409,279 |
| <u>First Treet Manufacturing Modaraba - quoted</u> | | | |
| 858,010,993 (2022: 655,251,700) fully paid certificates of Rs. 10 each | 8.1.2 | 10,280,721 | 10,280,721 |
| Equity held: 97.11 % (2022: 97.11 %) | | | |
| Chief Executive Officer - Syed Shahid Ali | | | |
| Less: Reserve for demerger | 8.1.2 | (8,004,882) | - |
| Less: Accumulated impairment allowance | 8.1.2.1 | - | - |
| | | 2,275,839 | 10,280,721 |
| <u>Renacon Pharma Limited - unquoted</u> | | | |
| 34,833,790 (2022: 34,833,790) fully paid ordinary shares of Rs. 10 each | 8.1.3 | 482,213 | 482,213 |
| Equity held: 55.86% (2022: 55.86%) | | | |
| Chief Executive Officer - Dr. Salman Shakoh | | | |
| <u>Treet Battery Limited - unquoted</u> | | | |
| 856,638,175 (2022: Nil) fully paid ordinary shares of Rs. 10 each | 8.1.2 | 8,004,882 | - |
| Equity held: 97.09% (2022: Nil) | | | |
| Chief Executive Officer - Syed Sheharyar Ali | | | |
| | | 11,081,553 | 11,172,213 |
| 8.1.1 The Company directly owns 100% (2022: 100%) equity interest in Treet Holding Limited (THL). | | | |
| 8.1.1.1 Accumulated impairment allowance | | | |
| Opening balance | | (265,859) | (235,429) |
| Charge during the year | 8.1.1.2 | (90,659) | (30,430) |
| Closing balance | | (356,518) | (265,859) |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

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

However, during the year, recoverable amount is lower than carrying amount therefore, further impairment loss is recorded during the year amounting to Rs. 90.66 million which has been recognized in the statement of profit or loss under "other expenses".

The value in use calculation was based on cash flow projections derived from aforesaid business plan, which was extrapolated beyond five years, by using a growth rate of 5%. The cash flows were discounted using a discount rate of 24% which was sensitive to discount rate and local inflation rates. Based on this calculation, the recoverable amount based on value in use per share of the Company was determined at Rs 4.48 which was higher than fair value less cost of disposal of investment, (which is calculated based on the fair value of THL's net assets as at 30 June 2023 and which is substantially a Level 3 inputs of the fair value hierarchy in accordance with IFRS 13 "Fair Value Measurement"). Hence the Company recognized impairment loss of Rs. 90.66 million during the year.

The recoverable amount of 71,104,740 ordinary shares was Rs. 318.62 million at 30 June 2023 which is calculated based on the value in use of THL as at 30 June 2023.

8.1.2 The Company directly owns 97.11% (2022: 97.11%) equity interest in First Treet Manufacturing Modaraba (FTMM) and 2.22% (2022: 2.22%) through its subsidiary, Treet Holdings Limited.

On January 21, 2019, Directors of Treet Holding Limited (Management company of FTMM) in their Board meeting decided to spin off the battery segment of First Treet Modaraba Management Company (FTMM) into Treet Battery Limited (TBL), thereby establishing a separate entity to handle this specific business segment.

The Scheme of Arrangement for demerger of Battery Segment has been sanctioned by Honorable High Court effective from April 1, 2023 and has successfully facilitated the transfer and vesting of the battery segment's business into TBL. The process, as outlined by the scheme, has been executed in the following manner:

-The battery Segment and its associated business, as they stood immediately before the sanction date, have been seamlessly separated from FTMM. This separation took place without the need for any additional actions, deeds, processes, or procedures.

-Subsequently, the battery segment and its business have been transferred and vested in TBL.

As sanctioned by the Honorable Lahore High Court (LHC), the certificate holders of FTMM were granted 0.9984 ordinary shares in TBL for each existing certificate in FTMM. These ordinary shares served as consideration for the transfer and vesting of the battery segment and its business into TBL. However, FTMM has applied to the Honorable Lahore High Court (LHC) for a reduction in certificates, which is pending approval as of the date of the financial statements. After this approval, the remaining 189,937,517 and 4,336,754 certificates shall be directly and indirectly owned by the Company.

8.1.2.1 Accumulated impairment allowance

| | Note | 2023 | 2022 |
|---|------|----------------------|-----------|
| | | (Rupees in thousand) | |
| Opening balance | | - | 581,138 |
| Transferred to non-current assets held for sale | | - | 74,618 |
| Reversal during the year | | - | (655,756) |
| Closing balance | | - | - |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

- 8.1.3** Renacon Pharma Limited ("RPL") is a pharmaceutical manufacturing company incorporated on 07 July 2009. The Company directly owns 55.86% (2022: 55.86%) equity interest in RPL.

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|-------|------------------------------|---------|
| 8.2 In equity instruments of associate - at cost | | | |
| Loads Limited - quoted | | | |
| 31,387,657 (2022: 31,387,657) fully paid ordinary shares of Rs. 10 each | 8.2.1 | 287,455 | 287,455 |
| Equity held: 12.49% (2022: 12.49%) | | | |
| Chief Executive Officer - Munir K. Bana | | | |
| | | 287,455 | 287,455 |

- 8.2.1** The Company's investment in Loads Limited is less than 20% but it is considered an associate in accordance with the requirements of IAS - 28 "Investments in Associates" since the Company has significant influence over its financial and operating policies through its representation on the Board of Loads Limited. Carrying amount of investment of company is Rs.9.16 per share as at June 30, 2023. Fair value less cost of disposal of investment amounting to Rs.6.19 per share and value in use computed by the management of the Company is amounting to Rs. 10.16 per share which is higher. Therefore, value in use has been considered as recoverable amount as per requirements of IAS 36 "Impairment of Assets".

8.3 Fair value through OCI

Techlogix International Limited - unquoted

711,435 (2022: 711,435) fully paid ordinary shares of par value of USD 0.00014682
Equity held: 0.67% (2022: 0.67%)
Investment classified as fair value through other comprehensive income

| | | | |
|--|--------------|--------------|-------|
| | 8.3.1 | 8,167 | 8,167 |
|--|--------------|--------------|-------|

- 8.3.1** Techlogix International Limited ("Techlogix") is a Bermuda registered Company with the beneficial owners, Salman Akhtar and Kewan Khawaja of United States of America. Techlogix is engaged in providing specialized technical consultancy and software development services to national and international clients. The Company intends to hold this investment of USD 104.45 (2022: USD 104.45) over the long term and realise its returns. During the year, the Company has not received any return (2022: Nil).

- 8.3.2** This investment was made before the promulgation of the Companies Act, 2017 and the requirements of repealed Companies Ordinance, 1984 were duly complied with at the time of investment.

9 LONG TERM LOANS

| | | | |
|---|-----|--------------|----------|
| Loans to employees - secured, considered good | 9.1 | 24,310 | 23,817 |
| Less: Current portion of loan to employees - secured, considered good | 14 | (21,558) | (17,507) |
| | | 2,752 | 6,310 |

- 9.1** These loans are interest free and are secured against employees' retirement benefits. These loans are recoverable in 12 to 24 monthly instalments. This include loans to executives amounting to Rs.13.7 million (2022: Rs. 2.43 million) which further include loan to the following key management personnels;

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|------------------------|------|------------------------------|--------------|
| 9.1.1 | | | |
| Arshad Latif | | - | - |
| M. Mohtashim Aftab | | - | 3,600 |
| Mr. Akhlaq Ahmed | | - | 1,686 |
| Amir Kaleem | | 619 | - |
| Israr-UI Haq | | 1,163 | - |
| Muhammad Khurram Iqbal | | 2,482 | - |
| Chaudhry Ehsan UI Haq | | 4,500 | - |
| Zunaira Dar | | 2,014 | - |
| Mohammad Imran | | 465 | - |
| Rashid Siddique | | 657 | - |
| Rana Imran Ahmed | | 401 | - |
| Asghar Ali Bhatti | | 656 | - |
| | | 12,957 | 5,286 |

9.1.2 Maximum outstanding balance with reference to month end balances are as follows:

| | | |
|------------------------|-------|-------|
| Arshad Latif | - | 803 |
| M. Mohtashim Aftab | - | 4,800 |
| Mr. Akhlaq Ahmed | - | 1,686 |
| Amir Kaleem | 2,972 | - |
| Israr-UI Haq | 1,395 | - |
| Muhammad Khurram Iqbal | 3,505 | - |
| Chaudhry Ehsan UI Haq | 5,400 | - |
| Zunaira Dar | 2,686 | - |
| Mohammad Imran | 1,860 | - |
| Rashid Siddique | 717 | - |
| Rana Imran Ahmed | 1,604 | - |
| Asghar Ali Bhatti | 1,575 | - |

9.1.3 Further, no amount is due from Directors and Chief Executive at the year end (2022: Rs. Nil).

10 STORES AND SPARES

| | | | |
|--------|------|----------------|----------------|
| Stores | | 131,364 | 143,951 |
| Spares | | 147,565 | 151,318 |
| | 10.1 | 278,929 | 295,269 |

10.1 It includes stores and spares in transit amounting to Rs. Nil million (2022: Rs. 3.11 million).

11 STOCK IN TRADE

| | | | |
|--|------|------------------|------------------|
| Raw and packing material | 11.1 | 1,899,397 | 1,150,463 |
| Work in process | | 137,153 | 341,213 |
| Finished goods | 11.2 | 827,100 | 487,110 |
| | | 2,863,650 | 1,978,786 |
| Provision for obsolete and slow moving inventory | 11.2 | (5,017) | (3,265) |
| | | 2,858,633 | 1,975,521 |

11.1 It includes raw material in transit amounting to Rs. 167.8 million (2022: Rs. 276.90 million).

11.2 The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounts to Rs.5.02 million (2022: Nil). It also includes finished goods in transit amounting to Nil (2022: 1.84 million).

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|---------------|
| 12 SHORT TERM INVESTMENTS | | | |
| <u>Investments at fair value through profit or loss</u> | | | |
| Listed equity securities | 12.1 | 97,726 | 98,894 |
| | | 97,726 | 98,894 |

12.1 Detail of investments in listed equity securities is stated below:

| 2023 | | | | | | | |
|----------------------------------|-------------------|----------------------|---------------|----------------------------------|--|--|----------------------------------|
| | Shares | Cost | Market value | Opening unrealized gain / (loss) | Realized gain / (loss) on disposal during the year | Unrealized gain / (loss) during the year | Closing unrealized gain / (loss) |
| | Number | (Rupees in thousand) | | | | | |
| a) Banks | | | | | | | |
| Silk Bank Limited | 13,000,000 | 24,155 | 13,000 | (8,815) | - | (2,340) | (11,155) |
| b) Textile | | | | | | | |
| Sunrays Textiles Mills Limited | 27,026 | 2,458 | 2,703 | 3,494 | - | (3,250) | 244 |
| Maqbool Textiles Mills Limited | 894,500 | 27,554 | 81,847 | 49,686 | - | 4,607 | 54,293 |
| c) Miscellaneous | | | | | | | |
| Transmission Engineering Limited | 133,000 | - | - | - | - | - | - |
| d) Steel Mills | | | | | | | |
| Aisha Steel Mills Limited | 32,704 | - | 176 | 361 | - | (185) | 176 |
| | 14,087,230 | 54,167 | 97,726 | 44,726 | - | (1,168) | 43,558 |
| 2022 | | | | | | | |
| | Shares | Cost | Market value | Opening unrealized gain / (loss) | Realized gain / (loss) on disposal during the year | Unrealized gain / (loss) during the year | Closing unrealized gain / (loss) |
| | Number | (Rupees in thousand) | | | | | |
| a) Banks | | | | | | | |
| Silk Bank Limited | 13,000,000 | 24,155 | 15,340 | 2,127 | (220) | (10,790) | (8,815) |
| b) Textile | | | | | | | |
| Sunrays Textiles Mills Limited | 27,026 | 2,458 | 5,953 | 5,920 | - | (2,426) | 3,494 |
| Maqbool Textiles Mills Limited | 894,500 | 27,554 | 77,240 | 623 | - | 49,063 | 49,686 |
| c) Mutual Funds | | | | | | | |
| JS investments | 133,000 | - | - | - | - | - | - |
| d) Miscellaneous | | | | | | | |
| Transmission Engineering Limited | 32,704 | - | 361 | - | - | 361 | 361 |
| | 14,087,230 | 54,167 | 98,894 | 8,670 | (220) | 36,208 | 44,726 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|--|------------------------------|---------|
| 13 TRADE DEBTS | | | |
| Foreign debtors | | 257,384 | 122,977 |
| Local debtors | 13.1 | 32,958 | 38,626 |
| | | 290,342 | 161,603 |
| Considered doubtful | | 1,785 | 1,785 |
| | | 292,127 | 163,388 |
| Less: Expected credit loss | 13.2 | (1,785) | (1,785) |
| | | 290,342 | 161,603 |
| 13.1 It include unsecured receivable from following related parties: | | | |
| Elite Brands Limited | 13.1.1 | 18,310 | 21,700 |
| Renacon Pharma Limited | | - | - |
| Liaqat National Hospital | 13.1.2 | 17 | 16 |
| | | 18,327 | 21,716 |
| 13.1.1 | This represents receivable in the normal course of business and is due by less than 30 days. The balance is neither past due nor impaired. Maximum amount outstanding at any time during the year, with respect to month end balances, was Rs. 6.56 million. | | |
| 13.1.2 | This represents receivable in the normal course of business and is past due by more than 61 to 180 days. Maximum amount outstanding at any time during the year is Rs. 0.025 million with respect to month end balances. | | |
| 13.2 | The movement in expected credit loss with respect to trade debts for the year is as follows: | | |
| Balance as at 01 July | | 1,785 | 1,785 |
| Charge for the year | | - | - |
| Balance as at 30 June | | 1,785 | 1,785 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|------------------|
| 14 LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| Current portion of loan to employees | 9 | 21,558 | 17,507 |
| Advances to employees | 14.1 | 89,796 | 48,997 |
| Advances to suppliers | | 110,383 | 55,115 |
| Margin deposits against letters of credits | | - | 1,852 |
| Deposits | 14.2 | - | 270,000 |
| <i>Balances with statutory authorities:</i> | | | |
| Export rebate | | 166,921 | 144,441 |
| Collector of customs - custom duty | | 26,294 | 10,353 |
| Advance income tax | | 58,216 | 43,989 |
| Sales tax receivable | | 17,842 | - |
| | | 269,273 | 198,783 |
| Receivable from broker against sale of investments | | 4,139 | 4,130 |
| <u>Receivable from subsidiary companies - unsecured, considered good - at amortised cost</u> | | | |
| -First Treet Manufacturing Modaraba | 18.2 | - | 2,560,990 |
| -Treet battery limited | | 3,859,167 | - |
| -Renacon Pharma Limited | | 294,506 | 252,113 |
| | | 4,153,673 | 2,813,103 |
| <u>Receivable from other related parties - unsecured, considered good</u> | | | |
| -Loads Limited | 14.3 | 6,629 | 6,629 |
| -Treet Power Limited | | 2,455 | 2,455 |
| -Hi-Tech Alloy Wheels Limited | | 3,473 | 3,473 |
| | | 12,557 | 12,557 |
| Employees Housing Fund | | 40,286 | 38,138 |
| Others | | 2,717 | 2,306 |
| | | 4,704,382 | 3,462,488 |

- 14.1** These are interest free advances to employees in respect of salary, medical and travelling expenses and are secured against their retirement benefits. These include an aggregate amount of Rs. 27.44 million (2022: Rs. 6.9 million) receivable from executives of the Company. Out of total receivables, amount of Rs. 5.09 million is receivable from Chief Executive Officer.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | 2023 | 2022 |
|---|----------------------|-------|
| | (Rupees in thousand) | |
| Following are employees whose outstanding amount exceed Rs.1 million. | | |
| Nasir Mahmood | 21,123 | - |
| Zain Ul Abadin | 1,006 | - |
| Syed Qamar Abbas Zaidi | 1,191 | - |
| Syed Shahid Ali Shah | 5,090 | - |
| Adnan Fazal ur Rehman | - | 1,767 |

- 14.2** This represents retention amount of Rs. 270 million, representing 10% of the sale consideration of Global Arts Limited (GAL), maintained in escrow account with Habib Bank Limited, in accordance with the terms of the share purchase agreement (the agreement) between the Company and Chimera Education (Private) Limited (CEPL) for sale of 100% equity interest of Global Arts Limited.

In accordance with the terms of the agreement, the retention amount will be released to the Company after 6 months from the closing date i.e. 30 June 2022, subject to no claims being filed by CEPL. Therefore, this amount was classified as deposits in loans, advances, deposits and prepayments in previous period.

During the current period stipulated conditions were met, and Company have received this deposit.

- 14.3** These represent receivable from related parties on account of payments made on behalf of related parties, receivable on account of reimbursement of expenses, and advances given to meet working capital requirements of relates parties. A provision for impairment was charged in previous period hence, these balances are net of provision for impairment.

| | Note | 2023 | 2022 |
|--|------|----------------------|----------|
| | | (Rupees in thousand) | |
| 14.3.1 Accumulated impairment allowance | | | |
| Opening balance | | (12,557) | - |
| Charge during the year | 38 | - | (12,557) |
| Closing balance | | (12,557) | (12,557) |

14.4 Ageing of balances

The balances due from related parties are neither past due nor impaired. Aging of balance due from related parties is as follows:

| | Less than 3 months | 3 to 6 months | 6 to 12 months | Greater than 12 months | 2023 | 2022 |
|------------------------------------|----------------------------------|---------------|----------------|------------------------|-----------|-----------|
| | ----- (Rupees in thousand) ----- | | | | | |
| Treet Battery Limited | 3,859,167 | - | - | - | 3,859,167 | - |
| Renacon Pharma Limited | 43,379 | 32,739 | - | 218,388 | 294,506 | 252,113 |
| Treet Power Limited | - | - | - | 2,455 | 2,455 | 2,455 |
| Hi-Tech Alloy Wheels Limited | - | - | - | 3,473 | 3,473 | 3,473 |
| Loads Limited | - | - | - | 6,629 | 6,629 | 6,629 |
| First Treet Manufacturing Modaraba | - | - | - | - | - | 2,560,990 |

14.5 Maximum outstanding balance due from related parties at any time during the year, with reference to month end balances is as follows:

| | 2023 (Rupees in thousand) | 2022 |
|---------------------------------------|------------------------------|-----------|
| First Treet Manufacturing Modaraba | 3,467,873 | 2,819,730 |
| Renacon Pharma Limited | 252,113 | 297,650 |
| Treet HR Management (Private) Limited | 25 | 25 |
| Treet Power Limited | 2,455 | 4,910 |
| Hi-Tech Alloy Wheels Limited | 3,502 | 7,004 |
| Loads Limited | 6,630 | 13,259 |
| Treet Battery Limited | 3,893,587 | - |
| Global Arts Limited | - | 122,712 |
| Global Assets Limited | - | 59 |

15 The Company maintains a Provident Fund for the benefit of its employees, monthly contributions are being made by employee and employer at 10% of basic salary. During the period, the Company withdrew an amount of Rs. 121 million from its Provident Fund to meet working capital requirements. The withdrawal is subject to a markup rate of KIBOR plus 2%. The Company has repaid the whole principal amount during the year, however, the accrued markup on the withdrawal is outstanding at period ended.

| | Note | 2023 (Rupees in thousand) | 2022 |
|----------------------------------|------|------------------------------|---------|
| 16 CASH AND BANK BALANCES | | | |
| Cash in hand | | 1,424 | 3,581 |
| Cash at bank in local currency | | | |
| - Current accounts | 16.1 | 141,124 | 217,891 |
| - Saving accounts | 16.2 | 46,770 | 44,927 |
| | | 187,894 | 262,818 |
| | | 189,318 | 266,399 |

16.1 These include bank accounts of Rs. 1.14 million (2022: Rs. 82.8 million) maintained under Shariah compliant arrangements.

16.2 These include deposits of Rs. 0.13 million (2022: Rs. 1.3 million) under Shariah compliant arrangements, which carries profit rate ranging from 4.8% to 7.73% per annum (2022: 3% to 4.65% per annum). The remaining balance carry mark-up at the rates ranging from 12% to 19.5% per annum (2022: 10% to 12.25% per annum).

17 SHORT TERM BORROWINGS

| | | | |
|--------------------------------------|------|-----------|-----------|
| Short term running finance - secured | 17.1 | 3,660,020 | 3,951,237 |
| Export refinance and others- secured | 17.2 | 943,810 | 1,474,092 |
| Islamic mode of financing - secured | 17.3 | 1,224,788 | 1,518,484 |
| | | 5,828,618 | 6,943,813 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

- 17.1** This represents running finance facility availed from various commercial banks to meet working capital requirements of the Company. These carry markup at an effective markup rate ranging from 14.66% to 24.98% (2022: 8.01% to 16.02%) per annum payable quarterly in arrears.
- 17.2** This represents export refinance and other funded (FATR) facilities availed from various commercial banks to meet working capital requirements of the Company. Export Refinance Facilities carry markup at an effective markup rate ranging from 3% to 18% (2022: 2.5% to 7.5%) and FATR facilities carry markup rate ranging from 11.03% to 22.07% (2022: 8.1% to 16.73%) per annum payable quarterly in arrears.
- 17.3** This represents musharka running finance and other facilities availed under shariah compliant mode from various Islamic banks to meet working capital requirements of the Company. These carry profit at an effective profit rate ranging from 12.52% to 24.12% (2022: 9.51% to 15.31%) per annum payable quarterly in arrears or on maturity.
- 17.4** The aggregate unavailed short term borrowing facilities amounts to Rs. 891.5 million (2022: Rs. 3,100 million).
- 17.5** The facilities mentioned in 17.2 to 17.4 above are secured by first joint pari passu charge / hypothecation charge / ranking charge over present and future current assets of the Company, lien marked over import documents and title of ownership of goods imported under letters of credit.

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|---------------------------------|------------------------------|-----------|
| 18 | TRADE AND OTHER PAYABLES | | |
| <i>Trade creditors:</i> | | | |
| Related parties - unsecured | 18.1 | 40,766 | 19,014 |
| Others | | 701,901 | 175,190 |
| | | 742,667 | 194,204 |
| Due to related party - unsecured | 18.2 | 120,635 | 33,166 |
| Accrued liabilities | | 432,019 | 434,625 |
| Contract liability | 18.3 | 379,862 | 301,911 |
| Employees deposits - secured | | 85,548 | 80,790 |
| Withholding sales tax payable | | 4,870 | 2,640 |
| Withholding income tax payable | | 20,258 | 15,536 |
| Workers Profit Participation Fund | 18.6 | 31,601 | - |
| Workers Welfare Fund | 18.7 | 11,066 | 21,011 |
| Sales tax payable | | - | 13,961 |
| Other payables | | 47,927 | 89,243 |
| <i>Payable to employee retirement benefit funds:</i> | | | |
| - Service fund | 18.4 | 101,054 | 573 |
| - Superannuation fund | 18.5 | 71,015 | - |
| | | 2,048,522 | 1,187,660 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|--------|
| 18.1 Related parties - unsecured | | | |
| <i>Subsidiary companies:</i> | | | |
| First Treet Manufacturing Modaraba | | 33,886 | 18,656 |
| Treet Holdings Limited | | 1,336 | - |
| <i>Other related parties:</i> | | | |
| Elite Brands Limited | | 5,182 | 11 |
| Gulab Devi Chest Hospital | | 46 | 33 |
| Packages Limited | | - | 314 |
| Liaquat National Hospital | | 316 | |
| | | 40,766 | 19,014 |

These are interest free in the normal course of business.

18.2 This represents payable to Treet Holdings Limited (THL), Treet HR Management (Private) Limited and First Treet Manufacturing Modarbah(FTMM) subsidiary companies, on account of payments made on behalf of the Company. The amount payable to THL carries markup at an effective rate ranging from 15.16% to 23.69% during the year.

18.3 This represents advance received from customers for future sale of goods. During the year, the Company has recognized revenue amounting to Rs. 290.42 million, out of the contract liability as at 30 June 2022.

18.4 This represents contributory fund maintained by the Company which covers all permanent management employees. Equal monthly contributions are made by the Company at 10% of basic salary. However, it is optional for employees to contribute in service fund. During the period, the Company withdrew an amount of Rs. 125 million from its Service Fund to meet working capital requirements. The withdrawal amount is subject to a markup rate of KIBOR plus 2%. The Company has repaid partial amount of Rs. 25 million from principal amount, however, the accrued markup on the withdrawal is outstanding at the period ended.

18.5 The Company maintains a Superannuation Fund to provide retirement benefits to employees and is managed in accordance with the Company's Superannuation Fund Policy. During the period, the Company withdrew an amount of Rs. 114 million from Fund to meet working capital requirements. The withdrawal is subject to a markup rate of KIBOR plus 2%. All principal and markup amount is outstanding as at period ended.

| | | | |
|---|-------|---------------|-----------|
| 18.6 Workers Profit Participation Fund | | | |
| Balance as at 01 July | | - | 121,180 |
| Charge for the year | 38 | 15,599 | 20,783 |
| | | 15,599 | 141,963 |
| Interest on delayed payment | | - | 7,861 |
| Payments during the year | | (17,105) | (107,816) |
| Payments to employees on behalf of WPPF | | (2,705) | (24,073) |
| Reversal for the prior year | | (21,228) | (17,935) |
| Amount withdrawn from fund | | 65,940 | - |
| Repayments of amount withdrawn | | (16,000) | - |
| Markup on amount withdrawn | 18.61 | 7,099 | - |
| Balance as at 30 June | | 31,600 | - |

18.6.1 This represents markup on amount withdrawn from Fund which carries markup at rate of KIBOR plus 2.5% as per worker welfare fund act.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|-----------|
| 18.7 Workers Welfare Fund | | | |
| Balance as at 01 July | | 21,011 | 66,585 |
| Charge for the year | 39 | 11,066 | 21,012 |
| Prior year | | (12,670) | (48,326) |
| Payments during the year | | (8,341) | (18,260) |
| | | (9,945) | (45,574) |
| Balance as at 30 June | | 11,066 | 21,011 |
| 19 ACCRUED MARK-UP | | | |
| <i>Accrued mark-up / return on:</i> | | | |
| Long term borrowings | | 86,619 | 7,352 |
| Short term borrowings | | 294,500 | 206,985 |
| | | 381,119 | 214,337 |
| 20 PROVISION FOR TAXATION-NET | | | |
| Advance income tax paid | | 227,547 | 123,817 |
| Provision for taxation | | (228,279) | (141,271) |
| | | (732) | (17,454) |
| 21 LEASE LIABILITIES | | | |
| Liability against right of use asset | | 16,995 | 21,639 |
| Current portion of liability against right of use asset | | (8,840) | (8,234) |
| | | 8,155 | 13,405 |
| 21.1 Movement of liability against right of use liability is as follows: | | | |
| Opening balance | | 21,639 | 26,823 |
| Liability against right of use asset recognised during the year | | 16,266 | 1,309 |
| Termination of existing lease liability | | (13,512) | - |
| Interest on unwinding of liability against right of use assets | 37 | 3,006 | 2,333 |
| Payments during the year | | (10,404) | (8,826) |
| Closing balance | | 16,995 | 21,639 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | 2023 | 2022 |
|----------------------|--|---------------|---------|
| (Rupees in thousand) | | | |
| 21.2 | Maturity analysis of liability against right of use asset is as follows: | | |
| | Less than one year | 10,734 | 9,882 |
| | One to five years | 8,935 | 14,765 |
| | Total undiscounted liability against right of use asset as at 30 June | 19,669 | 24,647 |
| | Impact of discounting on liability against right of use asset | (2,674) | (3,008) |
| | | 16,995 | 21,639 |

22 LONG TERM DEPOSITS

These represent interest free deposits received from freight forwarding agencies and other contractors which have been kept in a separate bank account in terms of section 217 of the Companies Act 2017.

23 LONG TERM FINANCES - SECURED

| | | | |
|--|------|------------------|----------|
| Loan from financial institutions | | | |
| Meezan Bank Limited | 23.1 | 29,101 | 58,202 |
| Pakistan Kuwait Investment Company - Term Finance Loan | 23.4 | 750,000 | 750,000 |
| The Bank of Punjab | 23.3 | 1,500,000 | - |
| Habib Bank Limited | 23.2 | - | 56,442 |
| | | 2,279,101 | 864,644 |
| Less: Current portion shown under current liabilities | | (91,601) | (86,047) |
| | | 2,187,500 | 778,597 |

23.1 This represents diminishing Musharika facility amounting to Rs. 291 million (2022: 58.2 million), obtained from Meezan Bank Limited during previous years. The tenor of the facility is 4 years inclusive of 1-year grace period. The facility is secured by way of Joint Pari Passu charge over all present and future Plant and machinery of the Company. The loan is repayable in twelve quarterly equal installments (after grace period of 1 Year) amounting to Rs. 7.20 million, commencing from 11 September 2021. The facility carries markup at 3 month kibar + 2% spread per annum. The effective markup rate ranging from 16.83% to 24.08% (2022: 9.40% to 16.83%) per annum, payable quarterly in arrears.

23.2 This represents long term loan facility obtained from Habib Bank Limited with sanctioned limit of Rs. 257.60 million. The Company obtained this term loan / SBP COVID-19 relief facility under "SBP refinance scheme for payment of wages and salaries" introduced by Government of Pakistan in order to prevent entities from laying-off employees during COVID-19 outbreak. The Company obtained Rs. 227.78 million, for paying salaries for the months from April 2020 to June 2020. The facility carries mark-up at the rate of 2% (2022: 2%) per annum payable quarterly in arrears. The loan is secured against first Joint Pari Passu hypothecation charge amounting to Rs. 343.47 million on all present and future plant and machinery of the Company. The loan is repayable in eight equal quarterly installments of Rs. 28.47 million started from 01 January 2021.

The loan has been measured at its fair value in accordance with IFRS 9 (Financial Instruments) using market rates at SBP approval dates of each tranche. The difference between fair value of loan and loan proceeds has been recognized as deferred grant as per requirements of IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) and as per Circular 11/2020 issued by the Institute of Chartered Accountants of Pakistan.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

23.3 This represents syndicate facility comprising of HBL and Bank of Punjab amounting to Rs. 750,000,000 million each i.e Rs. 1,500,000,000 in total. The tenure of this facility is 8 years with 2 years as grace period. The facility is secured by way of first joint parri passu charge over all present and future asset of the company. The loan is repayable in full in 24 Equal Quarterly payments. The reason for availing this facility was Balance Sheet Profiling i.e Reducing the current loan by availing a long term loan. The facility was first disbursed on July 6 2022, with markup charging on the facility at 3 month Kibor + 1.10% spread. The tentative Repayments of the facility amount to Rs.62.5 million. The effective markup rate ranging from 16.44% to 22.99% per annum, payable quarterly in arrears.

23.4 This represents facility amounting to Rs. 750 million, obtained from Pakistan Kuwait Investment Company (Private) Limited during current year for balance sheet re-profiling. The tenor of the facility is upto 8 years inclusive of 2-year grace period. The facility is secured by way of 1st Joint Pari Passu charge over all present and future Plant and machinery of the Company. The loan is repayable in twenty four quarterly equal installments (after grace period of 2 Year) amounting to Rs. 31.25 million, commencing from March 22, 2024. The facility carries markup at 3 month kibar + 1.65% spread per annum. The effective markup rate ranging from 16.23% to 23.38% per annum, payable quarterly in arrears.

| | Note | 2023 | 2022 |
|---|------|-----------|---------|
| (Rupees in thousand) | | | |
| 24 GOVERNMENT GRANT | | | |
| Balance as at 01 July | | 504 | 7,347 |
| Recognized during the year | 23.2 | - | - |
| Amortization during the year | | (504) | (6,843) |
| Balance as at 30 June | | - | 504 |
| Current portion | | - | (504) |
| Non-current portion | | - | - |
| 25 DEFERRED LIABILITIES - EMPLOYEE RETIREMENT BENEFITS | | | |
| Gratuity fund | | 557,623 | 470,993 |
| Superannuation fund | | 545,976 | 415,945 |
| | 25.1 | 1,103,599 | 886,938 |

| | Note | Gratuity | | Superannuation | |
|---|------|----------------|----------|----------------|-----------|
| | | 2023 | 2022 | 2023 | 2022 |
| ----- (Rupees in thousand) ----- | | | | | |
| 25.1 Net retirement benefit obligation | | | | | |
| Amounts recognized in the balance sheet are as follows: | | | | | |
| Present value of defined benefit obligation | 25.3 | 648,305 | 564,644 | 613,713 | 529,250 |
| Fair value of plan assets | 25.4 | (90,682) | (93,651) | (67,737) | (113,305) |
| Net retirement benefit obligation | 25.2 | 557,623 | 470,993 | 545,976 | 415,945 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Gratuity | | Superannuation | |
|--|----------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| ----- (Rupees in thousand) ----- | | | | |
| 25.2 Movement in net obligation | | | | |
| Net liability as at 01 July | 470,993 | 449,008 | 415,945 | 433,973 |
| Charge to statement of profit or loss | 105,485 | 85,286 | 93,107 | 80,180 |
| Re-measurements chargeable in statement of comprehensive income | 41,731 | 51,108 | 23,771 | 12,015 |
| Contribution made by the Company | (60,586) | (114,409) | 13,153 | (110,223) |
| Net liability as at 30 June | 557,623 | 470,993 | 545,976 | 415,945 |
| 25.3 Movement in the liability for funded defined benefit obligations | | | | |
| Liability for defined benefit obligations as at 01 July | 564,644 | 588,195 | 529,250 | 550,087 |
| Benefits paid by the plan | (60,586) | (139,409) | (37,847) | (110,223) |
| Current service costs | 47,123 | 46,230 | 37,123 | 36,088 |
| Past service costs | - | - | - | 6,286 |
| Interest cost | 70,771 | 51,725 | 67,618 | 49,417 |
| Benefits due but not paid (payables) | (461) | (2,472) | - | (1,620) |
| | 621,491 | 544,269 | 596,144 | 530,035 |
| Re-measurements on obligation: | | | | |
| Actuarial losses on present value | | | | |
| - Changes in financial assumptions | 1,427 | 1,430 | 1,413 | 1,416 |
| - Experience adjustments | 25,387 | 18,945 | 16,156 | (2,201) |
| | 26,814 | 20,375 | 17,569 | (785) |
| Present value of defined benefit obligations as at 30 June | 648,305 | 564,644 | 613,713 | 529,250 |
| 25.4 Movement in fair value of plan assets | | | | |
| Fair value of plan assets as at 01 July | 93,651 | 139,187 | 113,305 | 116,114 |
| Contributions into the plan | 60,586 | 114,409 | (13,153) | 110,223 |
| Benefits paid by the plan | (60,586) | (139,409) | (37,847) | (110,223) |
| Interest income on plan assets | 12,409 | 12,669 | 11,634 | 11,611 |
| Benefits due but not paid | (461) | (2,472) | - | (1,620) |
| Return on plan assets excluding interest income | (14,917) | (30,733) | (6,202) | (12,800) |
| Fair value of plan assets as at 30 June | 90,682 | 93,651 | 67,737 | 113,305 |

| | Gratuity | | Superannuation | |
|---|---------------|---------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| ----- (Rupees in thousand) ----- | | | | |
| 25.5 Plan assets | | | | |
| Plan assets comprise: | | | | |
| Listed securities | 41,032 | 45,803 | 23,651 | 24,990 |
| Unlisted securities | 2,105 | 6,246 | - | 1,730 |
| Deposits with banks | 4,762 | 2,979 | 7,151 | 54,364 |
| Investment in mutual funds | 4,116 | 4,628 | - | - |
| Government securities | 36,000 | 36,000 | 33,000 | 33,000 |
| Others | 3,128 | 467 | 3,935 | 841 |
| Less: Payables | (461) | (2,472) | - | (1,620) |
| | 90,682 | 93,651 | 67,737 | 113,305 |

Before making any investment decision, an Asset-Liability matching study is performed by the Board of Trustees of the funds to evaluate the merits of strategic investments. Risk analysis of each category is done to analyze the impacts of the interest rate risk, currency risk and longevity risk.

25.6 Profit or loss includes the following in respect of retirement benefits:

| | Gratuity | | Superannuation | |
|--|------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| ----- (Rupees in thousand) ----- | | | | |
| Interest cost | 70,771 | 51,725 | 67,618 | 49,417 |
| Current service cost | 47,123 | 46,230 | 37,123 | 36,088 |
| Past service cost | - | - | - | 6,286 |
| Interest income on plan assets | (12,409) | (12,669) | (11,634) | (11,611) |
| Total, included in salaries and wages | 105,485 | 85,286 | 93,107 | 80,180 |
| 25.7 Actual return on plan assets | (2,508) | (18,064) | 5,432 | (1,189) |
| 25.8 Actuarial losses recognized directly in other comprehensive income | | | | |
| Cumulative amount at 01 July | (356,591) | (305,483) | (370,341) | (358,326) |
| Losses recognized during the year | (41,731) | (51,108) | (23,771) | (12,015) |
| Cumulative amount at 30 June | (398,322) | (356,591) | (394,112) | (370,341) |

25.9 The Company expects to pay Rs. 131 million in contributions to gratuity fund during the year ending 30 June 2023.

25.10 The Company expects to pay Rs. 109 million in contributions to superannuation fund during the year ending 30 June 2023.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

25.11 Significant actuarial assumptions used for valuation of these plans are as follows:

| | 2023 | | 2022 | |
|---|-------------------------|-------------------------------|-------------------------|--------------------------|
| | Gratuity fund per annum | Superannuation fund per annum | Gratuity fund per annum | Superannuation per annum |
| Discount rate used for profit and loss charge | 13.25% | 13.25% | 10.00% | 10.00% |
| Discount rate used for year-end obligation | 16.25% | 16.25% | 13.25% | 13.25% |
| Expected rates of salary increase | 15.25% | 15.25% | 12.25% | 12.25% |
| Expected rates of return on plan assets | 16.25% | 16.25% | 13.25% | 13.25% |

Mortality rate

The rates assumed were based on the SLIC 2001 - 2005.

25.12 Weighted average duration of the defined benefit obligation is 8 years for gratuity and superannuation plans.

| | 2023 | 2022 |
|--|----------------------|---------|
| | (Rupees in thousand) | |
| 25.13 Cost on account of defined benefit plans has been allocated as follows: | | |
| <u>Unconsolidated Statement of Profit or Loss</u> | | |
| Cost of revenue | 142,060 | 120,737 |
| Administrative expenses | 27,198 | 18,670 |
| Distribution cost | 11,617 | 9,222 |
| Charged to related group companies | 17,717 | 16,837 |
| | 198,592 | 165,466 |
| <u>Unconsolidated Statement of Comprehensive Income</u> | | |
| Charged to other comprehensive income | 59,339 | 55,845 |
| Charged to related group companies | 6,163 | 7,278 |
| | 65,502 | 63,123 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

25.14 Actuarial assumptions sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the impact on the present value of the defined benefit obligation as at 30 June 2023 would have been as follows:

| | | Impact on present value of defined benefit obligation as at 30 June 2023 | | | |
|----------------------------------|---------|--|----------|----------------|----------|
| | | Gratuity | | Superannuation | |
| Change | | Increase | Decrease | Increase | Decrease |
| ----- (Rupees in thousand) ----- | | | | | |
| Discount rate | 100 bps | (519,759) | 616,305 | (484,864) | 580,461 |
| Future salary increase | 100 bps | 616,305 | 519,007 | 580,461 | 484,121 |

The sensitivity analysis of the defined benefit obligation to the significant actuarial assumptions has been performed using the same calculation techniques as applied for calculation of defined benefit obligation reported in the statement of financial position.

25.15 Risk on account of defined benefit plan

The entity faces following risks on account of defined benefit plans:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the entity has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Investment risks - The risk that the final salary at the time of cessation of service is greater than what the entity has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Demographic risk- The risk of the investment underperforming and not being sufficient to meet the liabilities.

- **Mortality Risk** - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.
- **Withdrawal Risk** - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|------|------------------------------|------------------|
| 26 DEFERRED TAXATION | | (236,417) | (243,963) |
| 26.1 Deferred tax liability arises in respect of following temporary differences: | | | |
| Taxable temporary differences on: | | (113,430) | (118,917) |
| - Accelerated tax depreciation | | (325,559) | (281,395) |
| - Surplus on revaluation of depreciable assets | | (3,645) | (3,827) |
| - Right of use asset | | (442,634) | (404,139) |
| Deductible temporary differences on: | | | |
| - Employee retirement benefits | | 201,363 | 155,126 |
| - Provision for doubtful debts | | 461 | 385 |
| - Liability against right of use asset | | 4,393 | 4,665 |
| | | 206,217 | 160,176 |
| | | (236,417) | (243,963) |
| 26.1.1 Movement in deferred tax liability is as follows: | | | |
| Balance as at 01 July | | (243,963) | (206,775) |
| Recognized in statement of profit or loss: | | | |
| - Accelerated tax depreciation | | 5,487 | (35,148) |
| - Right of use asset | | 182 | 867 |
| - Surplus on revaluation of PPE | | 16,029 | 12,180 |
| - Provision for WPPF | | - | (20,089) |
| - Expected credit loss | | 76 | 52 |
| - Liability against right of use asset | | (272) | (333) |
| | | 21,502 | (42,471) |
| Recognized in statement of comprehensive income / equity: | | | |
| - Re-measurement of employee retirement benefits recognized | | 46,237 | 31,442 |
| Effect of change in tax rate on account of surplus on revaluation of depreciable assets | | (60,193) | (26,159) |
| | | (13,956) | 5,283 |
| Balance as at 30 June | | (236,417) | (243,963) |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

27 EMPLOYEE STOCK OPTION SCHEME

The Company has granted share options to its employees under the Treet Corporation Limited - Employee Stock Options Scheme, 2015 ("the scheme") as approved by the shareholders in their annual general meeting held on 31 October 2014 and the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SMD/CIW/ESOS/02/2014 dated February 19, 2015.

Under the Scheme, the Company may grant options to eligible employees selected by the Board Compensation Committee, from time to time, which shall not at any time exceed 15% of the paid up capital of the Company (as increased from time to time). The option entitles an employee to purchase shares at an exercise prices determined in accordance with the mechanism defined in the scheme at the date of grant. The aggregate number of shares for all options to be granted under the scheme to any single eligible employee shall not, at any time, exceed 3% of the paid up capital of the Company (as increased from time to time). Further the grant of options in anyone calendar year exceeding 3% of the paid up capital shall require approval of the shareholders. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

The options will have a vesting period of one year and an exercise period of one year from the date options are vested as laid down in the scheme. These options shall be exercisable after completion of vesting period i.e. one year from date of grant. Upon vesting, employees are eligible to apply and secure allotment of Company's shares at an exercise price determined on the date of grant of options. Option price shall be payable by the employee on the exercise of options in full or part. The options will lapse after completion of two years of grant date if not exercised.

As of June 30, 2022, the total number of outstanding options were 1,198 thousand, having a maturity date up to October 24, 2022. No new options were granted or forfeited during the year. Consequently, the outstanding options lapsed within the current period.

28 CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

28.1.1 During previous years, with respect to the tax year 2013, the ACIR passed an order dated 28 February 2019, u/s 122(5A) of Income Tax Ordinance 2001 and created a tax demand of Rs. 10.06 million. The Company paid Rs 1 million (10% of demand), under protest, and recorded the same in advance tax. The Company appealed before the CIR (Appeals-1) which was decided in favor of the Company for majority of the matters.

Being aggrieved, the tax department filed an appeal, dated 22 January 2020, before ATIR which is pending adjudication at the year end. The management and the tax advisor of the Company are confident of favorable outcome of the case; therefore, no provision has been recorded in these unconsolidated financial statements.

28.1.2 During the previous years, with respect to the tax year 2009, Additional Commissioner Inland Revenue (ACIR) vide order dated 30-06-2015, u/s 122(5A) of Income Tax Ordinance 2001, created an income tax demand of Rs. 15.7 million, where ACIR disallowed addition u/s 111(1)(a) amounting Rs. 20.15 million, adjustment of minimum tax u/s 113 amounting Rs. 3.77 million and allocation of expenses to dividend income.

Being aggrieved the Company filed an appeal before CIR Appeals (CIR-A) which was decided in favor of the Company and case was remanded back to the assessing officer. Being aggrieved, during 2018, the department filed an appeal before ATIR with respect to disallowance of additions u/s 111(1)(a) amounting Rs. 20,159,000 which is pending adjudication at the year end.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

ACIR vide order dated 29 June 2019, u/s 124/129 of Income Tax Ordinance 2001, disallowed minimum tax amounting to Rs 3.77 million. Being aggrieved, the Company preferred an appeal before CIR (Appeals), dated 14 October 2019, which was decided in favor of the Company during the year, vide order no. 45, dated 30 November 2020.

The management and the tax advisor of the Company are confident of favorable outcome of the appeal filed by tax department against ATIR; therefore, no provision has been recorded in these unconsolidated financial statements.

28.1.3 During previous years, with respect to the tax year 2017, Additional Commissioner Inland Revenue (ACIR), passed an order dated 30 November 2018, u/s 122(5A) of Income Tax Ordinance 2001, and created an income tax demand of Rs. 11.48 million. The Company filed an appeal before Commissioner Inland Revenue (Appeals) which was decided in favor of the Company for majority of the matters and case was remanded back to assessing officer. The tax department filed an appeal before ATIR against the order of CIR(A). The Company also preferred an appeal before ATIR on account of difference issues such as proration of profit between local and export sale, disallowance u/s 65B, dividend income allocation etc. Both the counter appeals are pending adjudication at the year end. The management and the tax advisor of the Company are confident of favorable outcome of the case; therefore, no provision has been recorded in these unconsolidated financial statements.

28.1.4 During previous years, with respect to the tax period from July 2013 to June 2018, ACIR, vide order dated 23 May 2019, created a sales tax demand of Rs. 138.04 million on the contention that the Company has claimed illegal/ inadmissible input sales tax adjustment. Being aggrieved, the Company filed an appeal before Commissioner Inland Revenue (Appeals) which was decided in favor of the Company. The department filed an appeal, dated 9 January 2020, before ATIR which is pending adjudication at the year end. The management and the tax advisor of the Company are confident of favorable outcome of the case; therefore, no provision has been recorded in these unconsolidated financial statements.

28.1.5 During the tax year 2016, the additional Commissioner Inland Revenue invoked provision of Section 122(5A) of the Income Tax Ordinance, 2001 on different issues such as addition u/s 111(1)(d), addition u/s 111(1)(b), allocation of expenses between export and local sale, inter corporate dividend, profit on sales of fixed assets, disposal of investment property addition u/s 111(1)(c), disallowed statutory depreciation allowance, disallowed initial allowance, amortisation of advertisement expenses etc and passed an order dated March 31, 2022 by raising a tax demand amounting to Rs 125,602,103. An appeal has been filed by the entity before the CIR, Lahore on April 23, 2022.

The company's first appeal was accepted almost in total by the Commissioner Inland Revenue (Appeals), thereby deleting as well as sending back a couple of add backs for re-visiting his decision, whereby the whole tax demand mentioned above has been deleted. The additional Commissioner Inland Revenue went into second appeal before Appellate Tribunal Inland Revenue on January 12, 2023 against the order of Commissioner Inland Revenue (Appeals), which is still pending in court.

A favorable outcome is expected in line with the decision of Commissioner Inland Revenue (Appeals).

28.1.6 During previous year, with respect to the tax year 2015, ACIR passed an order u/s 122(5A) dated 21 April 2021 and created an income tax demand of Rs. 25.35 million. The Company has paid Rs 2.53 million (10% of demand), under protest, and recorded the same in advance tax. Being aggrieved the Company has appealed before CIR(A) which is pending adjudication at the year end.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

Being aggrieved with the appellate order the company in the current period filed second appeal before the learned ATIR on 29-April-2022 contesting the portion of annulment which is pending adjudication at this point in time. However, the department were also filed second appeal on account of couple of add backs where adequate relief was not allowed in the first appeal.

Both of the counter appeals are still pending in the ATIR till the year end. Management and tax advisor of the company are confident of favourable outcome of the case.

28.1.7 During the previous years, with respect to the tax period from July 2016 to June 2018, Additional Commissioner-III, Punjab Revenue Authority, Lahore, vide order dated 18 December 2020, created a Punjab sales tax demand of Rs. 175.15 million along with default surcharge and penalty of Rs. 141.82 million, on the contention that the Company has received services taxable services but failed to withhold and deposit the due tax as per provisions of the Punjab Sales Tax on Services (Withholding) Rules, 2015.

Being aggrieved, the Company has filed an appeal, dated February 22, 2021, before Commissioner (Appeals), Punjab Revenue Authority, Lahore which has been heard on June 02, 2021 and July 01, 2021 and decision is awaited. The management and the tax advisor of the Company are confident of favorable outcome of the case; therefore, no provision has been recorded in these unconsolidated financial statements.

| | | 2023 | 2022 |
|---------------|---|----------------------|-----------|
| | | (Rupees in thousand) | |
| 28.2 | Commitments | | |
| 28.2.1 | In respect of: | | |
| | - irrevocable letters of credit | 573,813 | 1,385,054 |
| 28.2.2 | Guarantees given by banks on behalf of the Company in favour of Sui Northern Gas Pipeline Limited and Sui Southern Gas Limited as at 30 June 2023, amounts to Rs. 5 million and Rs. 2.4 million respectively (2022: Rs. 7.4 million). | | |
| 28.2.3 | Guarantees given by banks on behalf of the Company in favour of Collector of Customs as at 30 June 2023, amounts to Rs. 13.2 million (2022: Rs. 13.2 million). | | |
| 28.2.4 | Guarantees given by banks on behalf of the Company in favour of Yde Sa (Smc-private) Limited as at 30 June 2023, amounts to Rs. 1.85 million (2022: Nil). | | |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

29 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| | 2023 (Number of shares) | 2022 | 2023 (Rupees in thousand) | 2022 |
|---|----------------------------|-------------|------------------------------|-----------|
| Ordinary shares of Rs. 10 each fully paid-up in cash | 89,793,463 | 89,793,463 | 897,935 | 897,935 |
| Ordinary shares of Rs. 10 each issued on conversion of PTCs | 22,006,165 | 22,006,165 | 220,061 | 220,061 |
| Ordinary shares of Rs. 10 each fully issued as bonus shares | 52,420,143 | 52,420,143 | 524,201 | 524,201 |
| Ordinary shares of Rs. 10 each issued against ESOS | 14,501,351 | 14,501,351 | 145,014 | 145,014 |
| | 178,721,122 | 178,721,122 | 1,787,211 | 1,787,211 |

| 29.1 | Reconciliation of number of shares | Note | 2023 (Rupees in thousand) | 2022 |
|------|---|------|------------------------------|-----------|
| | At 01 July | | 1,787,211 | 1,748,343 |
| | Issued against employee share option scheme | 29.2 | - | 38,868 |
| | At 30 June | | 1,787,211 | 1,787,211 |

29.2 This represents, ordinary shares issued to eligible employees by the Company in previous period, under the terms of the scheme as disclosed in note 28 to these unconsolidated financial statements. Exercise price for the issuance of shares was 24.34.

29.3 Syed Shahid Ali (Chief Executive Officer) holds 56,141,899 (2022: 56,141,899) and Syed Sheharyar Ali (Executive Director) holds 18,913,152 (2022: 13,545,243) ordinary shares of Rs. 10 each, representing 31.41% (2022: 31.41%) and 10.58% (2022: 7.58%) of the paid up capital of the Company respectively.

29.4 Loads Limited, an associated company, holds 4,837,958 (2022: 4,837,958) ordinary shares of Rs. 10 each, representing 2.71% (2022: 2.71%) of the paid up capital of the Company.

29.5 Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meeting of the Company. All shares rank equally with regard to Company's residual assets.

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|-----------|
| 30 RESERVES | | | |
| Excess of net worth over purchase consideration of assets of Wazir Ali Industries Limited | 301 | 4,906,061 | 4,906,061 |
| Share premium | | 266,400 | 266,400 |
| | | 5,172,461 | 5,172,461 |

Notes to the Unconsolidated Financial Statements

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| | Note | 2023 (Rupees in thousand) | 2022 |
|--|--|------------------------------|------------------|
| 30.1 CAPITAL RESERVES | | | |
| Excess of net worth over purchase consideration of assets of Wazir Ali Industries Limited | | 629 | 629 |
| Share premium | 30.1 | 4,905,432 | 4,905,432 |
| | | 4,906,061 | 4,906,061 |
| 30.1.1 | This reserve can be utilized by the Company only for the purposes specified under section 81(2) of the Companies Act, 2017. | | |
| 31 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX | | | |
| Revaluation surplus as at 01 July | | 5,543,163 | 5,599,667 |
| - Transferred to unappropriated profit as a result of incremental depreciation charged - net of deferred tax | | (45,979) | (44,324) |
| - related deferred tax liability on incremental depreciation | | (16,029) | (12,180) |
| | | (62,008) | (56,504) |
| Revaluation surplus as at 30 June | | 5,481,155 | 5,543,163 |
| Less: Related deferred tax liability on revaluation surplus as at 01 July | | 281,395 | 267,416 |
| - on account of incremental depreciation charged | | (16,029) | (12,180) |
| - tax rate adjustment | | - | 26,159 |
| | | 265,366 | 281,395 |
| Revaluation surplus as at 30 June - net | | 5,215,789 | 5,261,768 |
| 32 | This represents an interest free and unsecured loan from a director of the Company received during the period which is payable at the discretion of the Company. | | |
| 33 REVENUE - NET | | | |
| Blades and Razors | | | |
| Export sales - gross | | 3,556,438 | 2,322,780 |
| Less: Trade discount | | (22,630) | (9,796) |
| | | 3,533,808 | 2,312,984 |
| Local sales - gross | | 7,969,178 | 6,131,407 |
| Less: Sales tax | | (1,241,501) | (945,907) |
| Less: Trade discount | | (96,589) | (97,290) |
| | | 6,631,088 | 5,088,210 |
| <u>Trading income-Batteries</u> | | | |
| Sales - gross | | - | 18,757 |
| Less: Sales tax | | - | (893) |
| Less: Trade discount | | - | - |
| | | - | 17,864 |
| <u>Trading income - Chemicals</u> | | | |
| Sale of Chemicals - gross | | 10,628 | 5,672 |
| Less: Sales tax | | (1,649) | (824) |
| Less: Trade discount | | - | (9) |
| | | 8,979 | 4,839 |
| Revenue from contracts with customers - net | | 10,173,875 | 7,423,897 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

33.1 Disaggregation of Revenue

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service line and timing of revenue recognition.

| | Blades & Razors | | Batteries | | Chemicals | | Total |
|---|-----------------|-----------|-----------|--------|-----------|-------|-----------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Primary Geographical Markets | | | | | | | |
| Asia | 9,873,695 | 7,218,383 | - | 17,864 | 8,979 | 4,839 | 7,241,086 |
| Europe | 54,897 | 53,681 | - | - | - | - | 53,681 |
| North America | 12,766 | 11,288 | - | - | - | - | 11,288 |
| Africa | 84,156 | 68,711 | - | - | - | - | 68,711 |
| South America | 139,382 | 49,080 | - | - | - | - | 49,080 |
| Australia | - | 51 | - | - | - | - | 51 |
| | 10,164,896 | 7,401,194 | - | 17,864 | 8,979 | 4,839 | 7,423,897 |
| Major Products | | | | | | | |
| Blades and razors | 10,164,896 | 7,401,194 | - | - | - | - | 7,401,194 |
| Batteries | - | - | - | 17,864 | - | - | 17,864 |
| Chemicals | - | - | - | - | 8,979 | 4,839 | 4,839 |
| | 10,164,896 | 7,401,194 | - | 17,864 | 8,979 | 4,839 | 7,423,897 |
| Timing of revenue recognition | | | | | | | |
| Products transferred at a point in time | 10,164,896 | 7,401,194 | - | 17,864 | 8,979 | 4,839 | 7,423,897 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|-------|------------------------------|-----------|
| 34 COST OF REVENUE | | | |
| Raw and packing materials consumed | | 4,165,049 | 2,955,073 |
| Stores and spares consumed | | 166,623 | 164,485 |
| Salaries, wages and other benefits | 34.1 | 1,481,951 | 1,285,623 |
| Fuel and power | | 656,017 | 427,286 |
| Repairs and maintenance | | 21,009 | 22,664 |
| Rent, rates and taxes | 34.2 | 12,994 | 4,982 |
| Insurance | | 42,863 | 38,592 |
| Travelling and conveyance | | 30,756 | 13,885 |
| Printing and stationery | | 14,575 | 10,079 |
| Postage and telephone | | 8,711 | 7,143 |
| Depreciation on property, plant and equipment | 6.1.2 | 319,996 | 303,091 |
| Other expenses | | 7,199 | 17,483 |
| | | 6,927,743 | 5,250,386 |
| Opening stock of work in process | 11 | 341,213 | 212,652 |
| Closing stock of work in process | | (137,153) | (341,213) |
| Cost of goods manufactured | | 204,060 | (128,561) |
| Opening stock of finished goods | | 487,110 | 465,885 |
| Finished goods purchased for resale - batteries and chemicals | | - | 10,720 |
| Closing stock of finished goods | 11 | (822,083) | (487,110) |
| | | (334,973) | (10,505) |
| Freight, octroi and handling | | 116,801 | 65,862 |
| | | 6,913,631 | 5,177,182 |

34.1 Salaries, wages and other benefits include Rs. 142 million (2022: Rs. 120.9 million) and Rs. 45.8 million (2022: Rs. 41.72 million) in respect of defined benefit schemes and defined contribution schemes respectively.

34.2 This include short term lease expense of karachi warehouse amounting to Rs. 2.95 million (2022: Nil).

35 ADMINISTRATIVE EXPENSES

| | | | |
|---|-------|----------------|---------|
| Salaries and other benefits | 35.1 | 521,529 | 398,743 |
| Repairs and maintenance | | 4,378 | 3,264 |
| Rent, rates and taxes | | 770 | 1,152 |
| Travelling and conveyance | | 33,098 | 25,539 |
| Entertainment | | 4,908 | 2,363 |
| Postage and telephone | | 3,812 | 2,641 |
| Printing and stationery | | 17,805 | 12,838 |
| Legal and professional charges | 35.2 | 56,865 | 31,801 |
| Computer expenses | | 24,256 | 15,654 |
| Meeting fees | 44 | 2,485 | 2,400 |
| Subscription | | 1,993 | 1,050 |
| Depreciation on property, plant and equipment | 6.1.2 | 38,333 | 33,487 |
| Amortization on intangible asset | 7.1 | 14,792 | 14,767 |
| Insurance | | 7,373 | 6,639 |
| Utilities | | 10,136 | 3,907 |
| Others | | 19,324 | 5,289 |
| | | 761,857 | 561,534 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

- 35.1** Salaries and other benefits include Rs. 271 million (2022: Rs. 18.7 million) and Rs. 21.8 million (2022: Rs. 17.25 million) in respect of defined benefit schemes and defined contribution schemes respectively.

| | Note | 2023 (Rupees in thousand) | 2022 |
|-------------|--|------------------------------|--------------|
| 35.2 | Legal and professional charges include the following in respect of auditors' remuneration: | | |
| | Statutory audit | 3,540 | 2,950 |
| | Half yearly review | 720 | 600 |
| | Certification charges | 198 | 165 |
| | Out of pocket expenses | 446 | 372 |
| | | 4,904 | 4,087 |

36 DISTRIBUTION COST

| | | | |
|---|-------|------------------|----------------|
| Salaries and other benefits | 36.1 | 466,898 | 390,664 |
| Repairs and maintenance | | 4,740 | 3,795 |
| Advertising | | 385,127 | 144,579 |
| Freight, octroi and handling | | 103,273 | 91,015 |
| Rent, rates and taxes | | 4,873 | 632 |
| Travelling and conveyance | | 77,551 | 42,105 |
| Postage and telephone | | 4,628 | 5,018 |
| Depreciation on property, plant and equipment | 6.1.2 | 10,902 | 17,743 |
| Printing and stationery | | 716 | 367 |
| Legal and professional charges | | 6,897 | 1,904 |
| Others expenses | | 30,406 | 18,422 |
| | | 1,096,011 | 716,244 |

- 36.1** Salaries and other benefits include Rs. 11.6 million (2022: Rs. 9.2 million) and Rs. 7.8 million (2022: Rs. 7.62 million) in respect of defined benefit schemes and defined contribution schemes respectively.

37 FINANCE COST

| | | | |
|---|--|------------------|----------------|
| Markup on short term borrowings | | 1,008,201 | 641,927 |
| Markup on long term borrowings | | 420,410 | 58,140 |
| Unwinding of liability against right of use asset | | 3,007 | 2,333 |
| Bank charges | | 57,494 | 21,930 |
| | | 1,489,112 | 724,330 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|-------|------------------------------|----------------|
| 38 OTHER OPERATING EXPENSES | | | |
| <u>Impairment allowance on investment in</u> | | | |
| - Treet Holdings Limited | 81.11 | 90,659 | 30,430 |
| <u>Impairment of receivables from related parties</u> | | | |
| - Treet Power Limited | | - | 2,455 |
| - Hi-tech Alloy Wheels Limited | | - | 3,472 |
| - Loads Limited | | - | 6,630 |
| Donations | 38.1 | 150 | 3,399 |
| Assets written off | | - | 12,896 |
| Markup expense charged by Treet Holding Limited | | 4,358 | 2,831 |
| Exchange loss - net | 38.2 | 52,840 | 52,006 |
| Realized loss on short term investments at fair value through profit or loss | | - | 220 |
| Unrealized loss on short term investments at fair value through profit or loss | 12.1 | 1,168 | - |
| Workers' Profit Participation Fund | 18.6 | 1,470 | 10,714 |
| Workers' Welfare Fund | 18.7 | - | 21,012 |
| Other | | 1,785 | - |
| | | 152,430 | 146,065 |
| 38.1 During the year, donations have been given to the following: | | | |
| Lahore Gymkhana Tennis Club | | 150 | 150 |
| Cancer Care Hospital | | - | 500 |
| Layton Rahmatullah Benevolent Hospital | | - | 165 |
| Infection Control And Prevention Foundation | | - | 200 |
| Government College Township | | - | 500 |
| The Association For Overseas Technical Scholarship | | - | 25 |
| Haji Muhammad Ghurki Trust | | - | 500 |
| Institute of Art and Culture | | - | 1,359 |
| | | 150 | 3,399 |

38.1.1 None of the Directors of the Company or their spouse has any interest in donees.

38.2 This represents exchange loss - net of gain incurred on actual foreign currency conversion.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|---------|------------------------------|---------|
| 39 OTHER INCOME | | | |
| <u>Income from financial assets</u> | | | |
| Profit on bank deposits | 39.1 | 13,870 | 8,531 |
| Unrealized gain on short term investments at fair value through profit or loss | 12.1 | - | 36,208 |
| Unrealized exchange gain | | 6,862 | 623 |
| Dividend income | 39.2 | 949 | 1,705 |
| Reversal of impairment loss on investment in FTMM | 8.1.2.1 | - | 655,756 |
| <u>Mark-up income from</u> | | | |
| - First Treet Manufacturing Modaraba | | 183,042 | 73,631 |
| - Renacon Pharma Limited | | 47,169 | 18,939 |
| - Treet Battery Limited | | 136,871 | - |
| | | 388,763 | 795,393 |
| <u>Income from non financial assets</u> | | | |
| Profit on disposal of property, plant and equipment | | 12,763 | 27,214 |
| Realized gain on disposal of long term investment | 8.3 | - | 73 |
| Scrap sale | | 63,845 | 38,501 |
| Export rebate | 39.3 | 70,471 | 74,647 |
| Gain on lease termination | | 3,175 | - |
| Liabilities written off | | 1,844 | - |
| Workers' Welfare Fund | 18.7 | 1,604 | - |
| <u>Service Charges</u> | | | |
| - First Treet Manufacturing Modaraba Limited | | 4,195 | 4,584 |
| - Treet Holdings Limited | | 573 | 570 |
| - Renacon Pharma Limited | | 157 | 157 |
| - Treet Battery Limited | | 325 | - |
| | | 158,952 | 145,746 |
| | | 547,715 | 941,139 |

39.1 Income during the year, from savings bank accounts relating to deposits placed under shariah based arrangements amounted to Rs. 0.74 million (2022: Rs. 1.14 million).

39.2 Detail of dividend income received during the year is as follows:

| | | |
|-------------------------------|------------|-------|
| Shahtaj Textile Limited | - | 135 |
| Sunrays Textile | 54 | - |
| Maqbool Textile Mills Limited | 895 | 1,565 |
| | 949 | 1,700 |

39.3 Rebate income is net of commission paid to agents of Rs. 3.18 million (2022: Rs. 4.16 million).

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|-------|------------------------------|-----------|
| 40 TAXATION | | | |
| <i>Current</i> | | | |
| - For the year | | 228,279 | 141,271 |
| - For prior years | | (31,681) | (5,891) |
| <i>Deferred</i> | | | |
| - For the year | 26.11 | (21,502) | 42,471 |
| | 40.1 | 175,096 | 177,851 |
| 40.1 Tax charge reconciliation | | | |
| Numerical reconciliation between tax expense and accounting profit: | | | |
| Profit before taxation | | 308,549 | 1,039,681 |
| Tax at 29% (2022: 29%) | | 89,479 | 301,507 |
| Tax effect of: | | | |
| - income under FTR, reduced rate and others | | 34,540 | (135,951) |
| - effect of change in local sales ratio and tax rate | | 23,445 | - |
| - Prior year tax | | (31,681) | (5,891) |
| - Permanent difference - donations to unapproved institutions | | 44 | 675 |
| - Super tax | | 59,269 | 17,511 |
| | | 175,096 | 177,851 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | | 2023 | 2022 |
|-------------|--|---------------------------|-------------|
| 41 | EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED | | |
| 41.1 | Basic earnings per share | | |
| | <i>i-Profit attributable to ordinary share holders:</i> | | |
| | Profit for the year after taxation | Rupees in thousand | |
| | | 133,453 | 861,830 |
| | <i>ii-Weighted-average number of ordinary shares:</i> | | |
| | Weighted average number of shares | Number in thousand | |
| | | 178,721 | 176,505 |
| | Basic earnings / (loss) per share | Rupees | |
| | | 0.75 | 4.88 |
| | | | |
| | | 2023 | 2022 |
| 41.2 | Diluted earnings per share | | |
| | <i>i-Profit attributable to ordinary share holders (Diluted):</i> | | |
| | Profit for the year after taxation (diluted) | Rupees in thousand | |
| | | 133,453 | 861,830 |
| | <i>ii-Weighted-average number of ordinary shares (diluted):</i> | | |
| | Weighted average number of shares (basic) | 178,721 | 176,505 |
| | Effect of share options on issue | - | 1,198 |
| | Weighted-average number of ordinary shares (diluted) | Number in thousand | |
| | | 178,721 | 177,703 |
| | Diluted earnings per share | Rupees | |
| | | 0.75 | 4.85 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|-------|------------------------------|-------------|
| 42 CASH GENERATED FROM OPERATIONS | | | |
| Profit before taxation | | 308,549 | 1,039,681 |
| <i>Adjustments for non cash items:</i> | | | |
| Impairment allowance on investment in | | | |
| - Treet Holdings Limited | 8.1.1 | 90,660 | 30,430 |
| Reversal of impairment allowance on investment in FTMM | 39 | - | (655,756) |
| Finance cost | 37 | 1,489,112 | 724,330 |
| Depreciation on property, plant and equipment | 6.1.2 | 369,530 | 354,321 |
| Amortization on right of use asset | 25.13 | 180,875 | 148,629 |
| Provision for employees benefit plans | 35 | 14,792 | 14,767 |
| Amortization on intangible asset | 38 | 1,470 | 10,714 |
| Provision for Workers' Profit Participation Fund | 39 | (1,604) | 21,012 |
| Provision for Workers' welfare fund | 38 | - | 12,896 |
| Assets written off | 38 | 5,017 | - |
| Provision for obsolete and slow moving inventory | 39 | (13,870) | (8,531) |
| Profit on bank deposits | | | |
| Realized gain on disposal of short term investments | 38 | - | 220 |
| at fair value through profit or loss | 39 | (12,763) | (27,214) |
| Profit on disposal of property, plant and equipment | 39 | (3,175) | |
| Profit on lease termination | | | |
| Unrealized gain on short term investments at fair value | 39 | 1,168 | (36,208) |
| through profit or loss | 39 | (6,862) | (623) |
| Unrealized exchange gain | 39 | (367,082) | (73,631) |
| Markup income from related parties | 39 | (70,471) | (74,647) |
| Export rebate | 39 | (949) | (1,705) |
| Dividend income | 39 | (949) | (1,705) |
| | | 1,675,848 | 439,004 |
| Operating profit before working capital changes | | 1,984,397 | 1,478,685 |
| <u>Effect on cashflow due to working capital changes</u> | | | |
| <i>(Increase) / decrease in current assets:</i> | | | |
| Stores and spares | | 16,340 | (39,061) |
| Stock in trade | | (888,129) | (501,099) |
| Trade debtors | | (121,877) | (3,773) |
| Loans, advances, deposits, prepayments and other receivables | | (790,114) | (1,593,397) |
| | | (1,783,780) | (2,137,330) |
| <u>(Decrease) / increase in current liabilities:</u> | | | |
| Trade and other payables | | 899,026 | (282,138) |
| | | 1,099,643 | (940,783) |
| 43 CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 16 | 189,318 | 266,399 |
| Short term running finance - secured | 17 | (3,660,020) | (3,951,237) |
| Musharika running finance | | (920,790) | (880,237) |
| | | (4,391,492) | (4,565,075) |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

44 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these unconsolidated financial statements with respect to remuneration, including certain benefits to the chief executive, executive directors, non-executive directors and executives of the Company is as follows:

| | Chief Executive | | Executive Directors | | Non-Executive Directors | | Executives | |
|-------------------------|----------------------|--------|---------------------|--------|-------------------------|-------|------------|---------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | (Rupees in thousand) | | | | | | | |
| Managerial remuneration | 46,080 | 46,080 | 30,018 | 35,121 | - | - | 361,909 | 323,397 |
| Provident fund | - | - | 1,818 | 1,143 | - | - | 16,289 | 13,664 |
| Service fund | - | - | 1,818 | 1,143 | - | - | 14,252 | 11,363 |
| Superannuation fund - I | - | - | 4,271 | 1,813 | - | - | 35,917 | 23,547 |
| Gratuity fund | - | - | 5,312 | 2,617 | - | - | 41,352 | 31,231 |
| Bonus | - | - | 5,190 | 14,352 | - | - | 97,097 | 129,177 |
| Incentives | - | - | - | - | - | - | 81,706 | 48,302 |
| Utilities | 8,641 | 5,067 | - | 2,324 | - | - | 19,890 | - |
| Medical | 5,808 | 3,538 | 827 | 43 | - | - | 3,902 | 1,662 |
| Fees | - | - | - | - | 2,485 | 2,400 | - | - |
| | 60,529 | 54,685 | 49,254 | 58,556 | 2,485 | 2,400 | 672,314 | 582,343 |
| Number of persons | 1 | 1 | 1 | 2 | 4 | 4 | 69 | 58 |

44.1 The chief executive officer, directors and executives are provided with free use of Company maintained cars and telephone facility, according to their entitlement.

45 NUMBER OF EMPLOYEES

The Company has employed following number of persons including permanent and contractual staff:

| | 2023 | 2022 |
|-----------------------------|---------------------|-------|
| | (Number of persons) | |
| Closing number of employees | 2,233 | 2,119 |
| Average number of employees | 2,176 | 2,187 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

46 TRANSACTIONS WITH RELATED PARTIES

The related parties include subsidiaries, associated companies, other related group companies, directors of the Company, key management personnel, companies in which key management personnel / directors have control or joint control and post employment benefit plans. Balances with related parties are disclosed in respective notes to these unconsolidated financial statements. Transactions with employees benefit plans are disclosed in note 26 to these unconsolidated financial statements. Significant transactions with related parties other than disclosed elsewhere in financial statements are as follows:

| 46.1 | Transactions with related parties | Relationship | Nature of transactions | 2023 | 2022 |
|-----------|---------------------------------------|---|--|----------------------|-----------|
| | | | | (Rupees in thousand) | |
| I | Subsidiaries | Subsidiary Co. (100% Direct equity interest) | Expenses incurred on behalf of related party | 15,182 | 8,584 |
| | | | Funds received by the Company - net of payments | 1,193 | 5,026 |
| | Treet Holdings Limited | | Purchase of bikes by the Company | 7,403 | 6,794 |
| | | | Interest charged by related party | 4,358 | 2,831 |
| | | | Lease rentals charged by the Company | 573 | 571 |
| | | | Expenses incurred on behalf of related party | 450,932 | 472,192 |
| | First Treet Manufacturing Modaraba | Subsidiary Co. (97.11% Direct equity interest) | Funds transferred by the Company - net of receipts | 318,525 | 932,110 |
| | | | Purchase of goods by the Company | 71,713 | 48,950 |
| | | | Sales of goods by the Company | - | 17 |
| | | | Interest charged by the Company | 183,043 | 73,630 |
| | | | Rentals charged by the Company | 4,195 | 4,582 |
| | | | Conversion of debt to equity of FTMM | - | 1,835,903 |
| | | | Guarantee provided on behalf of related party | 1,504 | - |
| | | | Expenses incurred on behalf of related party | 64,496 | - |
| | Treet Battery Limited | Subsidiary Co. (97.09% Direct equity interest) | Funds transferred by the Company - net of receipts | 113,830 | - |
| | | | Interest charged by the Company | 136,871 | - |
| | | | Rentals charged by the Company | 325 | - |
| | | | Guarantee provided on behalf of related party | 600 | - |
| | Renacon Pharma Limited | Subsidiary Co. (55.86% Direct equity interest) | Expenses incurred on behalf of related party | 90,817 | 71,304 |
| | | | Interest charged by the Company | 47,169 | 18,939 |
| | | Funds received by the Company - net of payments | 95,751 | 27,200 | |
| | | Rentals charged by the Company | 157 | 157 | |
| | | Guarantee provided on behalf of related party | 985 | 985 | |
| | | Other Related parties | | | |
| II | Treet HR Management (Private) Limited | Other related party (0% direct holding) (100% indirect holding) | Purchase of services by the Company | 17,022 | 17,022 |
| | | | Interest charged by the Company | - | - |
| | | | Expenses incurred on behalf of related party | - | 451 |
| | | | Funds received by the Company - net of payments | - | 25,000 |
| | | | Funds transferred by the Company - net of receipts | 17,022 | - |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| Transactions with related parties | Relationship | Nature of transactions | 2023 | 2022 |
|---|--------------------------|--|---------|---------|
| (Rupees in thousand) | | | | |
| Cutting Edge (Private) Limited | Common directorship | Purchase of services by the Company | 2,359 | - |
| Elite Brands Limited | Common directorship | Purchase of services by the Company | 27,073 | - |
| | | Sale of goods by the Company | 495,956 | 794,571 |
| | | Discount on sales | 14,023 | 29,415 |
| Gulab Devi Chest Hospital | Common directorship | Purchase of services by the Company | 380 | - |
| Liaquat National Hospital | Common directorship | Sales made by the company | 79 | 74 |
| | | Discount on sales | 5 | 9 |
| | | Purchase of services by the Company | 954 | - |
| IGI Life Insurance | Common directorship | Insurance premium charged to the Company | 26,451 | 21,343 |
| IGI General Insurance | Common directorship | Insurance premium charged to the Company | 30,398 | 25,761 |
| III Employee benefits | | | | |
| Provident fund | Other related party | Contribution paid during the year | 51,272 | 46,058 |
| Service fund | Other related party | Contribution paid during the year | 24,374 | 20,529 |
| Housing fund | Other related party | Advance paid during the year - net | 2,149 | 3,627 |
| IV Key management personnel | | | | |
| Key management personnel other than directors | Key management personnel | Salaries and other benefits | 154,010 | 161,338 |

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The share options issued to key management personnel are disclosed in note 28 to these unconsolidated financial statements. The salaries and other benefits of directors, who are also key management personnel, are disclosed in note 44 to these unconsolidated financial statements. Other transactions with key management personnel are disclosed in respective notes in these unconsolidated financial statements. The Company considers all members of their management team, including Chief Executive Officer and Directors to be its key management personnel and these are disclosed below:

| Name | Relationship | % of shareholding in the Company |
|------------------------------|-------------------------------------|----------------------------------|
| Mr. Syed Shahid Ali | Director / Key management personnel | 31% |
| Mr. Syed Sheharyar Ali | Director / Key management personnel | 11% |
| Mr. Munir Karim Bana | Director / Key management personnel | 0.14% |
| Mr. Salman Faridi | Director / Key management personnel | 0% |
| Ms. Sidra Fatima Sheikh | Director / Key management personnel | N/A |
| Mr. Imran Azim | Director / Key management personnel | N/A |
| Mr. Haroon Latif Khan | Director / Key management personnel | N/A |
| Mr. Ahmad Shahid | Director / Key management personnel | N/A |
| Mrs. Zunaira Dar | Key management personnel | N/A |
| Mr. Muhammad Mohtashim Aftab | Key management personnel | N/A |
| Mr. Rashid Ali Rizvi | Key management personnel | N/A |
| Mr. Arshad Latif | Key management personnel | N/A |
| Mr. Muhammad Javaid Aslam | Key management personnel | N/A |
| Mr. Akhlaq Ahmed | Key management personnel | N/A |
| Mr. Imran Khan | Key management personnel | N/A |
| Mr. Nasir Mahmood | Key management personnel | N/A |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

47 FINANCIAL RISK MANAGEMENT

47.1 Financial risk factors

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

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

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

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

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

47.2 Credit risk

Credit risk represents the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade receivables.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. As the Company is the major manufacturer of blades, it believes that it is not exposed to major concentration of credit risk.

47.2.1 Exposure to credit risk

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

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | 2023 | 2022 |
|--|----------------------|------------------|
| | (Rupees in thousand) | |
| Financial asset at amortized cost | | |
| Long term security deposits | 20,282 | 19,914 |
| Long term loans | 2,752 | 6,310 |
| Trade debts | 290,342 | 161,603 |
| Loans, advances and other receivables | 4,234,930 | 3,159,593 |
| Cash at bank | 187,894 | 262,818 |
| | 4,736,200 | 3,610,238 |

47.2.2 Concentration of credit risk

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

| | | |
|--|------------------|------------------|
| Customers | 290,342 | 161,603 |
| Banking companies and financial institutions | 187,894 | 264,670 |
| Others | 4,257,964 | 3,183,965 |
| | 4,736,200 | 3,610,238 |

47.2.3 Credit quality and impairment

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

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

47.2.3.1 Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to bank balances, margin against letter of credit, term deposit receipt and long term deposit (escrow account). Credit risk is considered minimal as these counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

| Cash at Bank | Rating | | | 2023 | 2022 |
|---|------------|-----------|---------|----------------------|---------|
| | Short term | Long term | Agency | (Rupees in thousand) | |
| Allied Bank Limited | A1+ | AAA | PACRA | 14 | 12 |
| Albaraka Bank Limited | A-1 | A+ | JCR VIS | 17 | 146 |
| Askari Bank Limited | A1+ | AA+ | PACRA | 53,925 | 45,943 |
| Bank Alfalah Limited | A1+ | AA+ | PACRA | 8,303 | 9,796 |
| Bank Islami Pakistan Limited | A1 | AA- | PACRA | 278 | 2,801 |
| Bank of Punjab | A1+ | AA+ | PACRA | 2,182 | - |
| Dubai Islamic Bank Limited | A-1+ | AA | JCR VIS | 121 | 1,360 |
| Faysal Bank Limited | A1+ | AA | PACRA | 1,127 | 2,640 |
| Habib Bank Limited | A-1+ | AAA | JCR VIS | 109,765 | 57,746 |
| MCB Bank Limited | A1+ | AAA | PACRA | 2,896 | 24,731 |
| National Bank of Pakistan | A1+ | AAA | PACRA | 2,139 | 12,245 |
| Samba Bank Limited | A-1 | AA | JCR VIS | 8 | 7 |
| Sindh Bank Limited | A-1 | A+ | JCR VIS | 498 | 412 |
| Soneri Bank Limited | A1+ | AA- | PACRA | 865 | 16,686 |
| United Bank Limited | A-1+ | AAA | JCR VIS | 4,760 | 6,269 |
| Silk Bank Limited | A-2 | A- | JCR VIS | 140 | 1,947 |
| MCIB Bank Limited | A1 | A | PACRA | 856 | 80,077 |
| | | | | 187,894 | 262,818 |
| Deposits - Escrow account | | | | | |
| Habib Bank Limited | A1+ | AAA | PACRA | - | 270,000 |
| Margin against letters of credit | | | | | |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | - | 1,852 |
| Total | | | | 187,894 | 264,670 |

47.2.3.2 Counterparties without external credit ratings

These mainly include customers which are counter parties to local and foreign trade debts against sale of blades and razors. To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Export sales are either secured through letter of credit or on advance received basis. Majority of the local sales are made through distributors. As explained in note 5.8, the Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Management uses an allowance matrix to base the calculation of ECL of trade receivables from individual customers, which comprise a very large number of small balances. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June was determined as follows:

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | 2023 | | 2022 | |
|---|-----------------------|----------------|-----------------------|----------------|
| | Gross carrying amount | Loss Allowance | Gross carrying amount | Loss Allowance |
| (Rupees in thousand) | | | | |
| The aging of trade debts at the reporting date is: | | | | |
| The aging of trade debts at the reporting date is: | | | | |
| Not past due | 98,523 | - | 12,214 | - |
| Past due: | | | | |
| 1- 90 days | 137,275 | - | 142,675 | - |
| 91 - 180 days | 35,346 | - | 2,379 | - |
| 181 - 365 days | 17,832 | - | 2,786 | - |
| 365-and more days | 3,151 | 1,785 | 3,334 | 1,785 |
| | 292,127 | 1,785 | 163,388 | 1,785 |

The Company provides unsecured loans and advances to inter-companies. The Company monitors the ability of the inter-companies to repay the loans and advances on an individual basis. Loans and advances provided to intercompanies are not secured by any collateral or supported by any other credit enhancements. Generally, the Company considers loans and advances to inter-companies have low credit risk. The Company assumes that there is a significant increase in credit risk when an inter-company's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the inter-companies' loans and advances when they are payable, the Company considers the loans and advances to be in default when the inter-companies are not able to pay when demanded. The Company considers an inter-company's loan or advance to be credit impaired when:

- The inter-company is unlikely to repay its loan or advance to the Company in full;
- The inter-company is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

47.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained running finance facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | 2023 | | | | |
|--------------------------------------|----------------------|------------------------|--------------------|-------------------|----------------------|
| | Carrying Amount | Contractual cash flows | Less than one year | One to five years | More than five years |
| | (Rupees in thousand) | | | | |
| <i>Financial liabilities</i> | | | | | |
| Trade and other payables | 1,515,317 | 1,515,317 | 1,515,317 | - | - |
| Long term deposits | 13,853 | 13,853 | - | 13,853 | - |
| Long term finances - secured | 2,279,101 | 2,279,101 | 91,601 | 1,437,500 | 750,000 |
| Short term borrowings | 5,828,618 | 5,828,618 | 5,828,618 | - | - |
| Unclaimed dividend | 15,568 | 15,568 | 15,568 | - | - |
| Liability against right of use asset | 16,995 | 19,669 | 10,734 | 8,935 | - |
| Accrued mark-up | 381,119 | 381,119 | 381,119 | - | - |
| | 10,050,571 | 10,053,245 | 7,842,957 | 1,460,288 | 750,000 |
| | 2022 | | | | |
| | Carrying Amount | Contractual cash flows | Less than one year | One to five years | More than five years |
| | (Rupees in thousand) | | | | |
| <i>Financial liabilities</i> | | | | | |
| Trade and other payables | 751,811 | 751,811 | 751,811 | - | - |
| Long term deposits | 5,603 | 5,603 | - | 5,603 | - |
| Long term finances - secured | 864,644 | 865,147 | 86,551 | 466,096 | 312,500 |
| Short term borrowings | 6,943,813 | 6,943,813 | 6,943,813 | - | - |
| Unclaimed dividend | 15,624 | 15,624 | 15,624 | - | - |
| Liability against right of use asset | 21,639 | 24,647 | 9,882 | 14,765 | - |
| Accrued mark-up | 214,337 | 214,337 | 214,337 | - | - |
| | 8,817,471 | 8,820,982 | 8,022,018 | 486,464 | 312,500 |

47.4 Market risk

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

47.4.1 Currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows. The figures represent foreign currency balances after conversion in Pak Rupees using exchange rates prevailing at the unconsolidated statement of financial position date.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | 2023 | | 2022 | |
|---|----------------------|------------------|----------------------|-----------------|
| | (Rupees in thousand) | | (Rupees in thousand) | |
| | USD | EUR | USD | EUR |
| Assets | | | | |
| - Trade debts | 257,384 | - | 122,977 | - |
| Liabilities | | | | |
| - Trade creditors and bills payable | (34,292) | - | - | - |
| Net Statement of financial position exposure | 223,092 | - | 122,977 | - |
| Off statement of financial position items | | | | |
| - Outstanding letters of credit | 384,474 | 189,339 | 1,344,230 | 40,824 |
| Net exposure | (161,382) | (189,339) | (1,221,253) | (40,824) |

47.4.2 Exchange rates applied during the year

The following significant exchange rates have been applied:

| | Average rates | | Reporting date rate | |
|---------------------|---------------|--------|---------------------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| Selling Rate | | | | |
| USD | 246.55 | 182.00 | 287.10 | 206.00 |
| EURO | 265.01 | 201.00 | 314.27 | 215.75 |
| Buying Rate | | | | |
| USD | 246.05 | 182.00 | 286.60 | 205.50 |
| EURO | 264.98 | 201.00 | 314.72 | 215.23 |

47.4.3 Sensitivity analysis

A reasonably possible strengthening / (weakening) of 10% in Pak Rupee against the following currencies would have affected the measurement of financial instruments denominated in foreign currency and affected statement of profit or loss by the amounts shown below at the statement of financial position date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| | 2023 | 2022 |
|-----|----------------------|--------|
| | (Rupees in thousand) | |
| USD | 22,309 | 12,298 |

47.4.4 Currency risk management

Since the maximum amount exposed to currency risk is only 0.081% (2022: 0.114%) of the Company's total assets, any adverse / favorable movement in functional currency with respect to US dollar will not have any material impact on the operational results.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

47.4.5 Interest rate risk

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

47.4.5.1 Fixed rate financial instruments

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest / mark-up bearing financial instruments as at the reporting date are as follows:

| | Note | 2023 | | 2022 | |
|--|------|------------------|-----------------------|------------------|-----------------------|
| | | Financial assets | Financial liabilities | Financial assets | Financial liabilities |
| ----- (Rupees in thousand) ----- | | | | | |
| <u>Non-derivative financial instruments</u> | | | | | |
| Deposit - Escrow account | 14 | - | - | 270,000 | - |
| | | - | - | 270,000 | - |

The related mark-up / interest rates for fixed rate financial instruments are indicated in the related notes to the unconsolidated financial statements.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss account. Therefore, a change in profit / mark-up / interest rates at the reporting date would not affect profit and loss account.

47.4.5.2 Variable rate financial instruments

Non-derivative financial instruments

| | | | | | |
|---|----|-----------|-----------|-----------|-----------|
| Long term finances - secured | 23 | - | 2,279,101 | - | 864,644 |
| Short term borrowings | 17 | - | 5,828,618 | - | 6,943,813 |
| Trade and other payables | 18 | - | 1,515,317 | - | 751,811 |
| Bank balances - saving accounts | 16 | 46,770 | - | 44,927 | - |
| Receivable from subsidiary companies and other related parties (excluding accrued markup) | 14 | 2,249,449 | - | 1,580,756 | - |
| | | 2,296,219 | 9,623,036 | 1,625,683 | 8,560,268 |

The related mark-up / interest rates for fixed rate financial instruments are indicated in the related notes to the unconsolidated financial statements.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit by amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. This analysis is performed on the same basis for the year 2022.

| | Profit / (Loss) | |
|-------------------------------------|----------------------|----------|
| | 2023 | 2022 |
| | (Rupees in thousand) | |
| Increase of 100 basis points | | |
| Variable rate instruments | (73,268) | (61,828) |
| Decrease of 100 basis points | | |
| Variable rate instruments | 73,268 | 61,828 |

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

47.4.5.3 Interest rate risk management

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing and loans and advances by the Company has variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

47.4.6 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in equity markets. In addition the Company actively monitors the key factors that affect stock price movement.

A 10% increase in share prices at the year end would have increased the Company's profit in case of investments classified as fair value through profit or loss as follows:

| | 2023 | 2022 |
|--|----------------------|-------|
| | (Rupees in thousand) | |
| Effect on profit or loss before taxation | 9,773 | 9,889 |
| Effect on investments | 9,773 | 9,889 |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit or loss, equity and assets of the Company.

47.5 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | Carrying amount | | | | | Fair value | | | |
|--|--------|------------------------|-----------------------------------|------------------------------------|---|------------|------------|--------|--------|---------|
| | | Fair value through OCI | Fair value through profit or loss | Financial assets at amortized cost | Financial liabilities at amortized cost | Total | Level1 | Level2 | Level3 | Total |
| ----- Rupees in thousands ----- | | | | | | | | | | |
| 30 June 2023 | | | | | | | | | | |
| <u>Financial assets at fair value</u> | | | | | | | | | | |
| Long term investments | 8 | 8,167 | - | - | - | 8,167 | - | - | 8,167 | 8,167 |
| Short term investments | 12 | - | 97,726 | - | - | 97,726 | 97,726 | - | - | 97,726 |
| | | 8,167 | 97,726 | - | - | 105,893 | 97,726 | - | 8,167 | 105,893 |
| <u>Financial assets at amortised cost</u> | | | | | | | | | | |
| Long term security deposits | | - | - | 20,282 | - | 20,282 | - | - | - | - |
| Long term loans | 9 | - | - | 2,752 | - | 2,752 | - | - | - | - |
| Trade debts | 13 | - | - | 290,342 | - | 290,342 | - | - | - | - |
| Loans, advances, and other receivables | 14 | - | - | 4,234,930 | - | 4,234,930 | - | - | - | - |
| Cash and bank balances | 16 | - | - | 189,318 | - | 189,318 | - | - | - | - |
| | 47.5.1 | - | - | 4,737,624 | - | 4,737,624 | - | - | - | - |
| <u>Financial liabilities - not measured at fair value</u> | | | | | | | | | | |
| Short term borrowings | 17 | - | - | - | 5,828,618 | 5,828,618 | - | - | - | - |
| Trade and other payables | 18 | - | - | - | 1,515,317 | 1,515,317 | - | - | - | - |
| Accrued mark-up | 19 | - | - | - | 381,119 | 381,119 | - | - | - | - |
| Long term deposits | 22 | - | - | - | 13,853 | 13,853 | - | - | - | - |
| Liability against right of use asset | 21 | - | - | - | 16,995 | 16,995 | - | - | - | - |
| Unclaimed dividend | | - | - | - | 15,568 | 15,568 | - | - | - | - |
| Long term finances - secured | 23 | - | - | - | 2,279,101 | 2,279,101 | - | - | - | - |
| | 47.5.1 | - | - | - | 10,050,571 | 10,050,571 | - | - | - | - |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Note | Carrying amount | | | | | Fair value | | | |
|---|-------|------------------------|-----------------------------------|------------------------------------|---|-----------|------------|---------|--------|---------|
| | | Fair value through OCI | Fair value through profit or loss | Financial assets at amortized cost | Financial liabilities at amortized cost | Total | Level1 | Level2 | Level3 | Total |
| ----- Rupees in thousands ----- | | | | | | | | | | |
| 30 June 2022 | | | | | | | | | | |
| Financial assets at fair value | | | | | | | | | | |
| Long term investments | 8 | 8,167 | - | - | - | 8,167 | - | - | 8,167 | 8,167 |
| Short term investments | 12 | - | 98,894 | - | - | 98,894 | 98,894 | - | - | 98,894 |
| Financial assets at amortised cost | | 8,167 | 98,894 | - | - | 107,061 | 98,894 | 270,000 | 8,167 | 107,061 |
| Long term security deposits | | - | - | 19,914 | - | 19,914 | - | - | - | - |
| Long term loans | 10 | - | - | 6,310 | - | 6,310 | - | - | - | - |
| Trade debts | 14 | - | - | 161,603 | - | 161,603 | - | - | - | - |
| Loans, advances, and other receivables | 16 | - | - | 3,159,593 | - | 3,159,593 | - | - | - | - |
| Cash and bank balances | 17 | - | - | 266,399 | - | 266,399 | - | - | - | - |
| | 47.51 | - | - | 3,613,819 | - | 3,613,819 | - | - | - | - |
| Financial liabilities measured at fair value | | | | | | | | | | |
| Financial liabilities not measured at fair value | | | | | | | | | | |
| Short term borrowings | 19 | - | - | - | 6,943,813 | 6,943,813 | - | - | - | - |
| Trade and other payables | 20 | - | - | - | 751,811 | 751,811 | - | - | - | - |
| Accrued mark-up | 21 | - | - | - | 214,337 | 214,337 | - | - | - | - |
| Long term deposits | 23 | - | - | - | 5,603 | 5,603 | - | - | - | - |
| Liability against right of use asset | 22 | - | - | - | 21,639 | 21,639 | - | - | - | - |
| Unclaimed dividend | | - | - | - | 15,624 | 15,624 | - | - | - | - |
| Long term finances - secured | 24 | - | - | - | 864,644 | 864,644 | - | - | - | - |
| | 47.51 | - | - | - | 8,817,471 | 8,817,471 | - | - | - | - |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

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

47.5.2 Freehold land, buildings and plant and machinery have been carried at revalued amounts determined by professional valuers (level 2 measurement) based on their assessment as disclosed in note 32. The valuations were conducted by the valuation experts appointed by the Company. The valuation experts used a market based approach to arrive at the fair value of the Company's land and building. For revaluation of freehold land, fair market value was assessed through inquiries to real estate agents and property dealers in near vicinity of freehold land and neighbouring properties, which were recently sold or purchased, to determine a reasonable selling/buying price. In case of buildings, fair market value was assessed according to the observations made by valuer on the basis of existing outlook, appearance, face value, individual merits, class and type of construction, quality and standard of material used for construction and by applying suitable price adjustments. For revaluation of plant and machinery, suppliers and different machinery consultants in Pakistan and abroad were contacted to collect information regarding current prices of comparable items of plant and machinery to determine current replacement value. Fair depreciation factor for each item is applied according to their physical condition, usage and maintenance. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.

47.6 Capital risk management

The Company's objectives when managing capital are:

- a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- b) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio calculated as total debt (current and non-current borrowings) to debt plus equity.

The debt to equity ratios were as follows:

| | 2023 | 2022 |
|-----------------------|-----------------------------|------------|
| | (Rupees in thousand) | |
| Total debt | 8,107,719 | 7,808,961 |
| Total equity and debt | 23,427,726 | 22,838,810 |
| Debt to equity ratio | 35% | 34% |

Notes to the Unconsolidated Financial Statements

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48 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

| | Liabilities | | | | Total |
|---|----------------------------------|------------------------------|-----------------------|----------------------------|------------------|
| | Lease liabilities | Long term finances - secured | Short term borrowings | Unclaimed Dividend Payable | |
| | ----- (Rupees in thousand) ----- | | | | |
| As at 30 June 2022 | 21,639 | 865,148 | 6,943,813 | 15,624 | 7,846,224 |
| <i>Changes from financing cash flows</i> | | | | | |
| Proceeds from issue of share capital under ESOS | - | - | - | - | - |
| Receipts from long term finances - net | - | 1,500,000 | 1,258,581 | - | 2,758,581 |
| Repayments of short term borrowings - net | - | (86,047) | (2,123,110) | - | (2,209,157) |
| Principal portion of lease rentals paid | (10,404) | - | - | - | (10,404) |
| Dividend paid | - | - | - | (56) | (56) |
| Total changes from financing cash flows | (10,404) | 1,413,953 | (864,529) | (56) | 538,964 |
| <i>Other changes including non-cash</i> | | | | | |
| Changes in short term running finance and musharika running finance | - | - | (250,664) | - | (250,664) |
| Liability against right of use asset recognized | 2,754 | - | - | - | 2,754 |
| Interest on unwinding of lease liability | 3,006 | - | - | - | 3,006 |
| Total liability related other changes | 5,760 | - | (250,664) | - | (244,904) |
| As at 30 June 2023 | 16,995 | 2,279,101 | 5,828,620 | 15,568 | 8,140,284 |

| | Liabilities | | | | Total |
|---|----------------------------------|------------------------------|-----------------------|----------------------------|------------------|
| | Lease liabilities | Long term finances - secured | Short term borrowings | Unclaimed Dividend Payable | |
| | ----- (Rupees in thousand) ----- | | | | |
| As at 30 June 2021 | 26,823 | 258,143 | 6,171,512 | 13,228 | 6,469,706 |
| <i>Changes from financing cash flows</i> | | | | | |
| Proceeds from issue of share capital under ESOS | - | - | - | - | - |
| Receipt from long term finances - net | - | 607,005 | - | - | 607,005 |
| Repayments of short term borrowings - net | - | - | 249,508 | - | 249,508 |
| Principal portion of lease rentals paid | (8,826) | - | - | - | (8,826) |
| Dividend paid | - | - | - | 2,396 | 2,396 |
| Total changes from financing cash flows | (8,826) | 607,005 | 249,508 | 2,396 | 850,083 |
| <i>Other changes including non-cash</i> | | | | | |
| Changes in short term running finance and musharika running finance | - | - | 522,793 | - | 522,793 |
| Liability against right of use asset recognized | 1,309 | - | - | - | 1,309 |
| Interest on unwinding of lease liability | 2,333 | - | - | - | 2,333 |
| Total liability related other changes | 3,642 | - | 522,793 | - | 526,435 |
| As at 30 June 2022 | 21,639 | 865,148 | 6,943,813 | 15,624 | 7,846,224 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

| | Production capacity | | Actual production | |
|---|---------------------|--------------|---------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (Units in millions) | | (Units in millions) | |
| 49 PLANT CAPACITY AND PRODUCTION | | | | |
| Hyderabad plant | 880 | 880 | 532 | 588 |
| Lahore plant | 1,350 | 1,350 | 1,173 | 1,133 |
| | 2,230 | 2,230 | 1,705 | 1,721 |

The variance of actual production from capacity is primarily on account of the product mix.

50 PROVIDENT FUND TRUST

The following information is based on the latest un-audited financial statements of the Provident Fund Trust:

| | Un-audited 2023 | Un-Audited 2022 |
|---------------------------------|----------------------|--------------------|
| | (Rupees in thousand) | |
| Size of the fund - total assets | 681,017 | 953,137 |
| Cost of investments made | 295,020 | 469,223 |
| Percentage of investments made | 45% | 51% |
| Fair value of investments | 306,258 | 490,326 |

The break-up of fair value of investments is:

| | 2023 (Un-audited) | | 2022 (Un-Audited) | |
|-------------------------------|-------------------|-------------|-------------------|--------------|
| | Rs. in '000 | Percentage | Rs. in '000 | Percentage |
| Shares in quoted securities | 41,931 | 13.7% | 55,576 | 11.3% |
| Shares in unlisted securities | - | 0.0% | 4,149 | 0.8% |
| Listed Debt Instruments | 85,000 | 27.8% | 50,000 | 10.2% |
| Government securities | 16,300 | 5.3% | 16,300 | 3.3% |
| Mutual funds | 49,682 | 16.2% | 301,774 | 61.5% |
| Other Investments | 113,345 | 37.0% | 62,527 | 12.8% |
| | 306,258 | 100% | 490,326 | 99.9% |

The investments out of provident fund trust have not been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

51 SERVICE FUND TRUST

The following information is based on the latest un-audited financial statements of the Service Fund Trust:

| | Un-audited 2023 | Un-Audited 2022 |
|---------------------------------|----------------------|--------------------|
| | (Rupees in thousand) | |
| Size of the fund - total assets | 260,122 | 252,486 |
| Cost of investments made | 104,805 | 70,724 |
| Percentage of investments made | 37% | 28% |
| Fair value of investments | 96,645 | 70,183 |

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2023

The break-up of fair value of investments is:

| | 2023 (Un-audited) | | 2022 (Un-Audited) | |
|-----------------------------|-------------------|------------|-------------------|------------|
| | Rs. in '000 | Percentage | Rs. in '000 | Percentage |
| Shares in quoted securities | 30,953 | 32.0% | 36,084 | 51.4% |
| Government securities | 15,000 | 15.5% | 15,000 | 21.4% |
| Mutual funds | 16,611 | 17.2% | 19,099 | 27.2% |
| Listed Debt Instruments | 34,081 | 35.3% | - | 0.0% |
| | 96,645 | 100% | 70,183 | 100% |

The investments out of service fund trust have been made in accordance with the provisions of section 218 of the Companies Act.

52 CORRESPONDING FIGURES

Reclassification has been made to the corresponding figures to enhance comparability with the current year's financial statements. As a result, following line items have been amended in the statement of financial position, statement of profit or loss and related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

| Reclassified from | Reclassified to | Rupees in "000" |
|--|---------------------------------------|-----------------|
| Cost of revenue (Insurance expense) | Administration (Insurance expense) | 6,639 |
| Cost of revenue (Insurance expense) | Distribution (Other expenses) | 1877 |

53 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on _____ by the Board of Directors of the Company.

54 EVENTS AFTER BALANCE SHEET DATE

The Board of Directors in their meeting held on August 03, 2023 proposed to issue further 192,307,692 ordinary shares with a face value of PKR 10/- each, as right shares. The Company has issued draft Offer Letter to Stock Exchange for its review/ comments.

The right shares will be offered to the members in proportion of 107.602 right shares for every 100 ordinary shares held, which corresponds to 107.602% of the total paid-up capital of the Company at a price of Pkr 13/- per right shares. This price includes a premium of Pkr 3/- per right share. These unconsolidated financial statements do not reflect these issuance of right shares.

LAHORE
28th September 2023


Syed Sheharyar Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Shahid Ali
Director

CONSOLIDATED

FINANCIAL

STATEMENTS

For the year ended 30 June 2023

Independent Auditor's Report

To the members of Treet Corporation Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Treet Corporation Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at June 30, 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matter(s):

| Key audit matter | How the matter was addressed in our audit |
|---|--|
| <p>Revenue Recognition</p> <p>The Group's sales comprise of revenue from the local and export sale of blades and razors, batteries, soaps, corrugated boxes, bikes, hemodialysis concentrates and others which has been disclosed in note 35 to the consolidated financial statements.</p> <p>Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, revenue recognition criteria has been explained in note 5.18 to the consolidated financial statements.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not have been recognized based on transfer of control of the goods to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p> | <p>Our audit procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none">• Obtained an understanding of and assessing the design and implementation and operating effectiveness of controls around recognition of revenue;• Assessed the appropriateness of the Group's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;• Checked on a sample basis whether the recorded local and export sales transactions are based on satisfaction of performance obligation (i.e. on delivery of goods and after issue of gate passes for local sales and on shipment of goods for export sales).• Tested timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents.• Evaluated the adequacy and appropriateness of disclosures made in the unconsolidated financial statements.. |

Independent Auditor's Report

| Key audit matter(s) | How the matter was addressed in our audit |
|--|--|
| <p>Valuation of Stock-in-trade</p> <p>Stock in trade has been valued following an accounting policy as stated in note 5.11 to the consolidated financial statements and the value of stock in trade is disclosed in note 13 to the consolidated financial statements. Stock in trade forms material part of the Company's assets comprising around 16.73% of total assets.</p> <p>The valuation of stock in trade is carried at lower of cost and net realizable value (NRV). Cost as different components, which includes judgement in relation to allocation of overhead costs, which are incurred in bringing the finished goods to its present location and condition. Judgements are also involved in determining the NRV of stock in trade in line with the accounting policy.</p> <p>Due to the above factors, we have considered the valuation of stock in trade as a key audit matter.</p> | <p>Our audit procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of mechanism of recording purchases and valuation of stock in trade and testing the design and implementation of key internal controls; • On a sample basis, verified supporting documents for purchases of raw materials and the production costs; • Verified calculations of actual production costs and checked allocation of these costs to work in process and finished goods; • Obtained an understanding and assessed reasonableness of the management's process for determination of NRV and the key estimates adopted, including future selling prices, future costs to complete and costs necessary to make the sales and their basis; • Compared the NRV, on a sample basis, to the carrying value of stock in trade to assess whether any adjustments were required to carrying value of inventories in accordance with the policy; and • For valuation of goods in transit, verified the supporting documents on sample basis. • Reviewed the adequacy of disclosure made in the unconsolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards. |

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from

Independent Auditor's Report

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

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

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

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Yousuf Adil
Chartered Accountants

Lahore

UDIN: AR202310180QROd2YUo7

Consolidated statement of financial position

As at 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|------|------------------------------|--------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 17,009,546 | 16,989,955 |
| Right of use assets | 7 | 32,052 | 43,397 |
| Intangible assets | 8 | 134,926 | 149,002 |
| Long term investments | 9 | 530,622 | 759,545 |
| Long term deposits | 10 | 111,746 | 99,375 |
| Long term loans and advances | 11 | 2,752 | 6,310 |
| | | 17,821,644 | 18,047,584 |
| Current assets | | | |
| Stores and spares | 12 | 426,550 | 414,584 |
| Stock in trade | 13 | 4,538,884 | 3,222,335 |
| Trade debts | 14 | 1,799,114 | 1,092,944 |
| Short term investments | 15 | 100,668 | 102,368 |
| Loans, advances, deposits, prepayments and other receivables | 16 | 2,061,783 | 1,926,211 |
| Employees provident fund | | 5,997 | - |
| Cash and bank balances | 17 | 367,407 | 516,794 |
| | | 9,300,403 | 7,275,236 |
| Liabilities | | | |
| Current liabilities | | | |
| Current portion of long term liabilities | 18 | 140,340 | 107,541 |
| Short term borrowings | 19 | 8,493,325 | 10,052,206 |
| Trade and other payables | 20 | 3,496,264 | 2,364,941 |
| Unclaimed dividend | | 15,602 | 15,625 |
| Accrued mark-up | 21 | 540,632 | 329,207 |
| Provision for taxation | | 180,770 | 255,293 |
| | | 12,866,933 | 13,124,813 |
| Net current liabilities | | (3,566,530) | (5,849,577) |
| Non-current liabilities | | | |
| Long term deposits | 22 | 13,853 | 5,601 |
| Deferred liabilities - employee retirement benefits | 23 | 1,103,599 | 886,938 |
| Long term finance | 25 | 2,710,632 | 965,689 |
| Government grant | 26 | 46,304 | 8,283 |
| Deferred taxation | 27 | 506,173 | 629,770 |
| Lease liabilities | 28 | 19,971 | 32,367 |
| | | 4,400,532 | 2,528,648 |
| Contingencies and commitments | 29 | | |
| | | 9,854,582 | 9,669,359 |
| Represented by: | | | |
| Authorized capital | | | |
| 750,000,000 (2022: 250,000,000) ordinary shares of Rs. 10 each | | 7,500,000 | 2,500,000 |
| 150,000,000 (2022: 150,000,000) preference shares of Rs. 10 each | | 1,500,000 | 1,500,000 |
| | | 9,000,000 | 4,000,000 |
| Issued, subscribed and paid up capital | 30 | 1,787,211 | 1,787,211 |
| Reserves | 31 | 5,895,681 | 5,895,681 |
| Accumulated loss | | (4,818,098) | (4,820,401) |
| Surplus on revaluation of property, plant and equipment - net of tax | 32 | 6,419,059 | 6,495,360 |
| Loan from a director | | 230,000 | - |
| Equity attributable to owners of the Company | | 9,513,853 | 9,357,852 |
| Non - controlling interest | 33 | 340,729 | 311,507 |
| | | 9,854,582 | 9,669,359 |

The annexed notes 1 to 56 form an integral part of these consolidated financial statements.

LAHORE
28th September 2023


Syed Sheharyar Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Shahid Ali
Director

Consolidated statement of profit or loss

For the year ended 30 June 2023

| | Note | 2023 | 2022 |
|--|------|------------------|------------|
| (Rupees in thousand) | | | |
| Revenue - net | 34 | 23,352,714 | 15,789,923 |
| Cost of revenue | 35 | 18,226,644 | 13,120,865 |
| Gross profit | | 5,126,070 | 2,669,058 |
| Administrative expenses | 36 | 865,230 | 653,671 |
| Distribution cost | 37 | 1,845,834 | 1,195,099 |
| Expected credit loss on trade debts | 14.2 | - | 26,077 |
| | | 2,711,064 | 1,874,847 |
| Operating profit | | 2,415,006 | 794,211 |
| Finance cost | 38 | 1,976,632 | 1,129,469 |
| Other operating expenses | 39 | 267,547 | 163,700 |
| | | 2,244,179 | 1,293,169 |
| Other income | 40 | 328,709 | 437,036 |
| Share of (loss) / profit of associate | | (218,115) | 6,229 |
| Profit / (loss) before taxation | | 281,421 | (55,693) |
| Taxation | | 275,339 | 216,229 |
| - Group | | (22,303) | 31,068 |
| - Associate | 41 | 253,036 | 247,297 |
| Profit / (loss) after tax | | 28,385 | (302,990) |
| Attributable to: | | | |
| Equity holders of the Parent Company | | (697) | (313,013) |
| Non - controlling interest | | 29,082 | 10,023 |
| | | 28,385 | (302,990) |
| Basic earnings / (loss) per share | 42 | (0.004) | (1.77) |
| Diluted earnings / (loss) per share | 42 | (0.004) | (1.76) |

The annexed notes 1 to 56 form an integral part of these consolidated financial statements.

LAHORE
28th September 2023


Syed Sheharyar Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Shahid Ali
Director

Consolidated statement of comprehensive income

For the year ended 30 June 2023

| | 2023 | 2022 |
|--|----------------------|-----------|
| | (Rupees in thousand) | |
| Profit / (loss) after tax | 28,385 | (302,990) |
| <u>Other comprehensive income / (loss) from continuing operations</u> | | |
| <i>Items that will never be reclassified to profit or loss account:</i> | | |
| Remeasurement of defined benefit obligation - net of tax | (13,102) | (24,403) |
| Effect of change in tax rate on account of surplus on revaluation of buildings | (60,193) | - |
| Share of loss in associate's defined benefit liability - net of tax | 133 | (2,175) |
| | (73,162) | (26,578) |
| Total comprehensive income for the year | (44,777) | (329,568) |
| <i>Attributable to:</i> | | |
| Equity holders of the Parent Company | (73,858) | (339,591) |
| Non-controlling interest | 29,081 | 10,023 |
| | (44,777) | (329,568) |

The annexed notes 1 to 56 form an integral part of these consolidated financial statements.

LAHORE
28th September 2023


Syed Sheharyar Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Shahid Ali
Director

Consolidated statement of cash flows

For the year ended 30 June 2023

| | Note | 2023 | 2022 |
|--|------|-------------|-------------|
| (Rupees in thousand) | | | |
| Cash generated from operations | 48 | 1,960,502 | 723,121 |
| Finance cost paid | | (1,759,245) | (1,022,179) |
| Taxes paid | | (451,156) | (321,110) |
| WPPF and WWF paid | | (3,098) | (151,365) |
| Payment to gratuity fund and superannuation fund | | 5,102 | (188,087) |
| Long term loans and deposits - net | | (8,813) | 251,716 |
| | | (2,217,210) | (1,431,025) |
| Net cash used in operating activities | | (256,708) | (707,904) |
| Cash flows from investing activities | | | |
| Fixed capital expenditure | | (644,186) | (539,879) |
| Proceeds from sale of property, plant and equipment | | 17,541 | 585,189 |
| Proceeds from disposal of long term investments | | 228,923 | 63,606 |
| Acquisition of associate | | - | - |
| Profit received on bank deposits | | 34,096 | 24,102 |
| Dividend received | | - | 1,707 |
| Net cash (used in) / generated from investing activities | | (363,626) | 134,725 |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares under employee stock option scheme | | - | 94,605 |
| Payment of lease liabilities | | (15,909) | (15,941) |
| Long term loans - net | | 1,815,763 | 718,017 |
| Loan from director | | 230,000 | - |
| Short term borrowings - net | | (825,803) | 89,077 |
| Dividend paid | | (23) | (172,470) |
| Net cash generated from financing activities | | 1,204,028 | 713,288 |
| Net increase in cash and cash equivalents | | 583,694 | 140,109 |
| Cash and cash equivalents at beginning of year | | (6,394,592) | (6,534,701) |
| Cash and cash equivalents at end of year | 49 | (5,810,898) | (6,394,592) |

The annexed notes 1 to 56 form an integral part of these consolidated financial statements.

LAHORE
28th September 2023


Syed Sheharyar Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Shahid Ali
Director

Consolidated statement of changes in equity

For the year ended 30 June 2023

| | Capital Reserves | | | | | Revenue Reserves | | | Total equity attributable to shareholders of Holding Company | Non - Controlling Interest (NCI) | Total shareholders equity | |
|---|------------------|---------------|-----------------|---------------------------------------|--|-------------------|--------------------|-----------------|--|----------------------------------|---------------------------|------------------|
| | Share Capital | Share Premium | Capital Reserve | Share in capital reserve of associate | Surplus on revaluation of property, plant and equipment - net of tax | Statutory Reserve | Loan from director | General Reserve | | | | Accumulated loss |
| Balance as at 30 June 2021 | 1,748,343 | 4,848,790 | 629 | 212,184 | 6,775,227 | 511,941 | - | 266,400 | (4,567,281) | 9,796,233 | 308,271 | 10,104,504 |
| Total comprehensive loss for the year | - | - | - | - | - | - | - | - | (313,013) | (313,013) | 10,023 | (302,990) |
| Loss for the year | - | - | - | - | - | - | - | - | (26,578) | (26,578) | - | (26,578) |
| Other comprehensive income | - | - | - | - | - | - | - | - | (339,591) | (339,591) | 10,023 | (329,568) |
| Incremental depreciation relating to surplus on revaluation of buildings - net of tax | - | - | - | - | (110,495) | - | - | - | 110,495 | - | - | - |
| Surplus realized on disposal of property, plant and equipment | - | - | - | - | (144,950) | - | - | - | 144,950 | - | - | - |
| Effect of change in tax rate on account of surplus on revaluation of buildings | - | - | - | - | (23,350) | - | - | - | - | (23,350) | - | (23,350) |
| Change in ownership interest | - | - | - | - | 928 | - | - | - | 5,859 | 6,787 | (6,787) | - |
| Transfer to / acquisition from NCI | - | - | - | - | - | - | - | - | - | - | - | - |
| Transactions with owners of the Group, contributions and distributions | 38,868 | 55,737 | - | - | - | - | - | - | (174,833) | 94,605 | - | 94,605 |
| Issuance of shares under employee stock option scheme | - | - | - | - | - | - | - | - | - | (174,833) | - | (174,833) |
| Final dividend for the year ended 30 June 2021 at Rs1 per share | 38,868 | 55,737 | - | - | - | - | - | - | (174,833) | (80,228) | - | (80,228) |
| Balance as at 30 June 2022 | 1,787,211 | 4,904,527 | 629 | 212,184 | 6,495,360 | 511,941 | - | 266,400 | (4,820,401) | 9,357,852 | 311,507 | 9,669,358 |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | (696) | (696) | 29,082 | 28,386 |
| Loss for the year | - | - | - | - | - | - | - | - | (73,162) | (73,162) | - | (73,162) |
| Other comprehensive income | - | - | - | - | - | - | - | - | (73,858) | (73,858) | 29,082 | (44,776) |
| Incremental depreciation relating to surplus on revaluation of buildings - net of tax | - | - | - | - | (76,301) | - | - | - | 76,301 | (0) | - | (0) |
| Surplus realized on disposal of property, plant and equipment | - | - | - | - | - | - | - | - | - | - | - | - |
| Effect of change in tax rate on account of surplus on revaluation of buildings | - | - | - | - | - | - | - | - | - | - | - | - |
| Change in ownership interest | - | - | - | - | - | - | - | - | (140) | (140) | 140 | - |
| Transfer to / acquisition from NCI | - | - | - | - | - | - | - | - | - | - | - | - |
| Transactions with owners of the Group, contributions and distributions | - | - | - | - | - | - | - | 230,000 | - | 230,000 | - | 230,000 |
| Loan received from a director | - | - | - | - | - | - | - | 230,000 | - | 230,000 | - | 230,000 |
| Balance as at 30 June 2023 | 1,787,211 | 4,904,527 | 629 | 212,184 | 6,419,059 | 511,941 | 230,000 | 266,400 | (4,818,098) | 9,513,853 | 340,729 | 9,854,582 |

The annexed notes 1 to 56 form an integral part of these consolidated financial statements.



Syed Shehryar Ali
Chief Executive Officer



Mohtashim Aftab
Group Chief Financial Officer



Syed Shahid Ali
Director

LAHORE
28th September 2023

Notes to the consolidated financial statements

For the year ended 30 June 2023

1 STATUS AND NATURE OF THE BUSINESS

The Group comprises of :

Holding Company

Treet Corporation Limited

| | 2023 (Holding percentage) | 2022 |
|---|------------------------------|--------|
| <u>Subsidiary Companies</u> | | |
| - Treet Holdings Limited | 100.00 | 100.00 |
| - First Treet Manufacturing Modaraba | 99.32 | 99.32 |
| - Treet HR Management (Private) Limited | 100 | 100.00 |
| - Treet Power Limited | 100 | 100.00 |
| - Renacon Pharma Limited | 55.86 | 55.86 |
| - Treet Battery Limited | 100.00 | 100.00 |
| <u>Associate</u> | | |
| - Loads Limited | 12.49 | 12.49 |
| - Global Assets (Private) Limited | 28.85 | 28.85 |

Treet Corporation Limited

Treet Corporation Limited ("the Holding Company") was incorporated in Pakistan on 22 January 1977 as a public limited company under the Companies Act, 1913 (now Companies Act, 2017). Its shares are quoted on Pakistan Stock Exchange Limited. The principal activity of the Holding Company is manufacturing and sale of razors and razor blades along with other trading activities. The registered office of the Holding Company is situated at 72-B, Industrial Area Kot Lakhpat, Lahore. The manufacturing facilities of the Holding Company are located in Lahore at 72-B Kot Lakhpat, Industrial Area and in Hyderabad at Hali Road.

First Treet Manufacturing Modaraba

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 subsidiary of Treet Corporation Limited), incorporated in Pakistan under the Companies Ordinance, 1984 (now Companies Act, 2017) and registered with the Registrar of Modaraba Companies. The Modaraba is listed on Pakistan Stock Exchange Limited. The Modaraba is engaged in the manufacture and sale of corrugated boxes, soaps and batteries. The registered office and manufacturing facility of the Modaraba are situated at 72-B, Kot Lakhpat, Industrial Area, Lahore.

Treet Battery Limited

Treet Battery Limited was incorporated on 22 February 2019 in Pakistan under the Companies Act, 2017. The subsidiary company carries out business as manufacturers, assemblers, processors, producers, suppliers, sellers, importers, exporters, makers, fabricators and dealers in all batteries including but not limited to lead acid batteries, deep cycle batteries, lithium batteries, nickel cadmium batteries, nickel metal hydride batteries, absorbed glass mat (AGM) batteries, Gel batteries used in or required for industrial, transport, commercial and domestic and any other purpose. The registered office of the Company is situated at 72-B, Industrial Area, Kot Lakhpat, Lahore.

Notes to the consolidated financial statements

For the year ended 30 June 2023

Restructuring of First Treet Manufacturing Modaraba

First Treet Manufacturing Modaraba (FTMM) and Treet Battery Limited (TBL) filed a joint petition before the Honourable Lahore High Court, Lahore (the Court) seeking approval of the Court for a Scheme of Arrangement (the Scheme) for demerger, bifurcation and reconstruction of the battery undertaking and business of the Modaraba (the Business) under sections 279 to 282 of the Companies Act, 2017. The Scheme was also approved by the certificate and shareholders of FTMM and TBL in separate Extra Ordinary General Meetings of the members held on March 02, 2022. On January 10, 2023, the Court sanctioned the Scheme. The Court, in its order, specified April 01, 2019 as the effective date of demerger.

Vesting and transfer of the Business to the Treet Battery Limited

As per the Scheme, from and on the effective date the Business was duly transferred and vested in Treet Battery Limited (TBL) in the following manner:

(i) the battery undertaking and business subsisting immediately preceding the sanction date was, without further act or deed, matter or thing, process or procedure, be separated from the FTMM and transferred to and vested in TBL on the sanction date. The transfer and vesting of the battery undertaking was free from all mortgages or charges or other encumbrance.

(ii) the separation from the FTMM and transfer to and vesting in TBL was treated as having taken effect from the effective date i.e. April 01, 2019, and as from that time and until the sanction date i.e. April 01, 2023, the Business was deemed to have been owned and held for and on account and for the benefit of TBL and all profits, dividends, bonus shares, right shares and entitlements accruing or arising to FTMM from or on account of the Business were treated as profits, dividends, bonus share, right shares and entitlements accruing or arising to TBL.

(iii) As consideration for transfer and vesting of the Business, TBL were to allot 0.9984 ordinary shares to the certificate holders of the FTMM in respect of one certificate in FTMM held by them.

Main features of the Scheme are summarized below:

(i) 883.277 million shares of TBL having face value of Rs. 8,832.773 million were to be issued to the certificate holders of FTMM, consequently certificate capital of FTMM, attributable to the Business were to be reduced by 687.99 million certificates having face value of Rs. 6,879.903 million and remaining 195.287 million shares having face value of Rs. 1,952.870 million were to be issued against share premium of Rs. 1,952.870 million of FTMM.

(ii) The balance of surplus on revaluation of property, plant and equipment were to be segregated between the Business and subsisting businesses of FTMM on the basis of the valuation determined by an independent valuer on June 30, 2021.

(iii) The properties, assets, rights, liabilities and obligations comprised in battery segment including, without limitation, the capital reserves, revenue reserves, revaluation surplus and accumulated losses of FTMM relating to battery segment as at the day preceding the effective date and immediately preceding the sanction date were to be accounted for in the books of TBL.

(iv) All suits, appeals, arbitration governmental investigations and other legal proceedings instituted by or against FTMM in respect of battery segment, and pending before any court, tribunal, regulatory body, or any other authority were to be treated as suit, appeals and legal proceedings by or against TBL and may be continued, prosecuted and enforced by or against TBL accordingly.

Transfer of Battery Segment balances

On the sanctioned date, FTMM has transferred assets and liabilities of Battery segment to TBL as per the Scheme sanctioned by the Honourable Lahore High Court, Lahore.

Notes to the consolidated financial statements

For the year ended 30 June 2023

Treet Holdings Limited

Treet Holdings Limited was incorporated in Pakistan on 21 October 2004 under the Companies Ordinance, 1984 (now Companies Act, 2017) and commenced its commercial operations from 01 January 2005. The principal activity of the subsidiary company is assembling and sale of motor bike and rickshaw. The subsidiary company is the management company of First Treet Manufacturing Modaraba. Its head office and assembly plant are situated at 72-B, Industrial Area Kot Lakhpat, Lahore.

Treet HR Management (Private) Limited

Treet HR Management (Private) Limited was incorporated in Pakistan on 18 September 2006 as a private limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The subsidiary company is engaged in the business of rendering professional and technical services and providing related workforce to the host companies / customers under service agreements. The registered office of the subsidiary company is situated at 72-B, Industrial Area, Kot Lakhpat, Lahore. The company subsidiary is a wholly owned subsidiary of Treet Holdings Limited, which is also a subsidiary of Treet Corporation Limited - an ultimate parent, a listed company.

Treet Power Limited

Treet Power Limited was incorporated in Pakistan on 20 November 2007 under the Companies Ordinance, 1984 (now Companies Act, 2017). At present the subsidiary company is planning to set up an Electric Power Generation Project for generating, distributing and selling of Electric Power, which is kept in abeyance in order to complete other projects of the Group Companies of Treet Corporation Limited. The registered office of the company is situated at 72-B, Industrial Area, Kot Lakhpat, Lahore. The subsidiary company is a wholly owned subsidiary of Treet Holdings Limited, which is also a subsidiary of Treet Corporation Limited - an ultimate parent, a listed company.

Renacon Pharma Limited

Renacon Pharma Limited was incorporated on 07 July 2009 as a private limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The subsidiary company was converted into Public Limited Company (unlisted) on 27 January 2017 after complying with the legal formalities. The subsidiary company is engaged in the business of manufacturing of all types of formulations of Haemodialysis concentration in powder and solution form for all brands of machines. The registered office and manufacturing facility of the subsidiary company is situated at 72-B, Industrial Area, Kot Lakhpat, Lahore.

1.1 Basis of consolidation and equity accounting

These consolidated financial statements comprise the financial statements of the Holding Company, its subsidiary companies and its associates as at 30 June 2023. These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2023 and the audited financial statements of the subsidiaries and associates for the year ended 30 June 2023.

1.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Holding Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiary companies have been consolidated on a line-by-line basis and the carrying values of the investments held by the Holding Company have been eliminated against the shareholders' equity in the subsidiary companies. The financial statements of the subsidiaries are prepared for the same reporting year as of the Holding Company, using consistent accounting policies.

Notes to the consolidated financial statements

For the year ended 30 June 2023

Intra - Group balances and transactions, and any unrealised income and expenses arising from intra - group transactions, are eliminated.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Any goodwill that arises is tested annually for impairment.

Non-controlling interest

Non-controlling interest is that part of net results of operations and of net assets of the subsidiaries which are not owned by the Group either directly or indirectly. Non-controlling interest is presented as a separate item in the consolidated financial statements. The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Non-controlling interest is measured at proportionate share of identifiable net assets at the time of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction.

Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in consolidated statement of profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that subsidiary are reclassified to the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee, joint venture or under IFRS - 09, depending on the level of influence retained.

1.2.1 Associates

Associates are all entities over which the Group has significant influence but not control. This is generally the case where the Group holds between 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the associate after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to statement of profit or loss account where appropriate.

The Group's share of its associates post acquisition profits or losses is recognized in the consolidated statement of profit or loss and its share in post acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The Group's share of its associates post acquisition changes in net assets are recognized directly in equity with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in associates equals or exceeds its interest in the associate including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

Notes to the consolidated financial statements

For the year ended 30 June 2023

Unrealized gains arising from transactions between the Group and its associates are eliminated against investment to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Associates, which the Group intends to dispose off within twelve months of the reporting date are not accounted for under the equity method and are shown under non-current assets held for sale at the lower of carrying amount and fair value less cost to sell.

Dilution gains and losses arising in investments in associates are recognized in the consolidated statement of profit or loss.

At each reporting date, the Group reviews the carrying amounts of its investments in associates to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value as referred to in note 5.21, the measurement of certain items of property, plant and equipment as referred to in note 5.3 at revalued amounts and recognition of certain employee retirement benefits as referred to in note 5.1 at present value. In these consolidated financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

2.3 Functional and presentational currency

These consolidated financial statements are presented in Pakistan Rupees which is also the Group's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand of rupees except stated otherwise.

Notes to the consolidated financial statements

For the year ended 30 June 2023

3 USE OF ESTIMATES AND JUDGMENTS

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

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

The areas where various assumptions and estimates are significant to Group's financial statements or where judgments were exercised in application of accounting policies are as follows:

3.1 Property, plant and equipment

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

3.2 Stores and spares

The Group reviews the stores and spares for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding effect on the provision.

3.3 Stock-in-trade

The Group reviews the carrying amount of stock-in-trade on a regular basis. Carrying amount of stock-in-trade is adjusted where the net realizable value is below the cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.4 Expected credit loss (ECL) against trade debts, deposits, advances and other receivables

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

The Group has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

Notes to the consolidated financial statements

For the year ended 30 June 2023

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

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

3.5 Employee benefits

The Group operates approved funded gratuity and superannuation scheme covering all its full time permanent employees who have completed the minimum qualifying period of service as defined under the respective scheme. The gratuity and superannuation schemes are managed by trustees. The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis.

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

3.6 Taxation

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

The Group also regularly reviews the trend of proportion of incomes between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

3.7 Provisions

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

3.8 Contingencies

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

Notes to the consolidated financial statements

For the year ended 30 June 2023

3.9 Revaluation of property, plant and equipment

Revaluation of certain classes of property, plant and equipment is carried out by an independent professional valuer.

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

3.10 Lease term

The Group applies judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED DURING THE YEAR

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

4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts cost of fulfilling a contract

Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)

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

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

| | Effective from Accounting period beginning on or after |
|--|---|
| Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies | January 01, 2023 |
| Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates | January 01, 2023 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | |
|--|-----------------------|
| Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction. | January 01, 2023 |
| Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current | January 01, 2024 |
| Amendments to IFRS 16 'Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions | January 01, 2024 |
| Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements | January 01, 2024 |
| Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred indefinitely |
| Other than the aforesaid amendments, IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan: | |
| - IFRS 1 – First Time Adoption of International Financial Reporting Standards | |
| - IFRS 17 – Insurance Contracts | |

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Employee benefits

Defined contribution plans

The Group has maintained five contributory schemes for the employees, as below:

- i) A recognized contributory provident fund scheme namely "Treet Corporation Limited - Group Employees Provident Fund" is in operation covering all permanent employees. Equal monthly contributions are made both by the Group and employees in accordance with the rules of the scheme at 10% of the basic salary. Group's contribution to the fund is charged to consolidated statement of profit or loss.
- ii) A recognized contributory fund scheme namely "Treet Corporation Limited - Group Employee Service Fund" is in operation which covers all permanent management employees. In accordance with the rules of the scheme, equal monthly contributions are made both by the Group and employees at 10% of basic salary from the date the employee gets permanent status. Additional contributions may be made by the Group for those employees who have at most 15 years of service remaining before reaching retirement age, however, employees can start their additional contribution above the threshold limit of 10% of the basic salary at any time. Group's contribution to the fund is charged to consolidated statement of profit or loss.

Notes to the consolidated financial statements

For the year ended 30 June 2023

- iii) A recognized contributory fund scheme namely "Treet Corporation Limited - Group Employees Benevolent Fund" in operation for the benefit of employees if the employee opts for the scheme. The contributions to the fund are made at 10% of employees basic salary on monthly basis by both employee and the employer. Periodic bonuses by the Group to all the employees in any year, not exceeding one month's basic salary of an employee, are credited to his personal account in the Fund at the sole discretion of the Group. Group's contribution to the fund is charged to consolidated statement of profit or loss.
- iv) An unrecognized contributory fund scheme namely "Treet Corporation Limited - Group Employees Superannuation-II Fund" is in operation covering all permanent management employees. Equal monthly contributions are made both by the Group and employees in accordance with the rules of the scheme at 12% of the basic salary. Group's contribution to the fund is charged to consolidated statement of profit or loss.
- v) An unrecognized contributory fund scheme namely, "Treet Corporation Limited - Group Employees Housing Fund Scheme" is in operation covering permanent management employees with minimum five years of service with the Group. Equal contributions are made monthly both by the Group and employees in accordance with the rules of the Scheme at 20% of the basic pay. Group's contribution to the fund is charged to consolidated statement of profit or loss.

Defined benefit plans

An approved funded gratuity scheme and a funded superannuation scheme is in operation for all employees with qualifying service periods of six months and ten years respectively. These are operated through "Treet Corporation Limited - Group Employees Gratuity Fund" and "Treet Corporation Limited - Group Employee Superannuation Fund", respectively. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to consolidated statement of profit or loss. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method for valuation. The latest valuation was carried out at 30 June 2022. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contribution to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in consolidated statement of profit or loss account. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

5.2 Taxation

Current

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

Notes to the consolidated financial statements

For the year ended 30 June 2023

Deferred

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. In this regard, the effects on deferred taxation of the proportion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is charged in the statement of profit or loss, except in the case of items charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

5.3 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment loss, if any, except for freehold land, buildings on freehold land and plant and machinery. Freehold land is stated at revalued amount determined based on valuation carried out by independent valuers by reference to its current market price less impairment loss, if any. Buildings on freehold land is stated at revalued amount determined based on valuation carried out by independent valuers by reference to its current market price less accumulated depreciation and impairment loss, if any. The plant and machinery is stated at revalued amount, which was determined based on valuation carried out by independent valuer as at 30 June 2021. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the related asset, and the net amount is restated to the revalued amount.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to statement of profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss, and depreciation based on the asset's original cost is transferred from 'surplus on revaluation of property, plant and equipment' to 'equity'. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred income tax.

Depreciation is charged to statement of profit or loss, unless it is included in the carrying amount of another asset, on straight line method whereby cost of an asset is written off over its estimated useful lives given in note 6.1.

Depreciation on additions to property, plant and equipment is charged from the day on which an asset is available for use till the day the asset is fully depreciated or disposed off. Assets, which have been fully depreciated, are retained in the books at a nominal value of Rupee 1. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2023

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

Capital work in progress

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

Investment property

Property not held for own use or for the sale in the ordinary course of business is classified as investment property. The investment property of the Group comprise of land and is valued using the cost method and is stated at cost less any identified impairment loss.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense in the consolidated statement of profit or loss.

5.4 Intangible assets

Goodwill

Goodwill arising from a business combination is allocated to cash generating unit or group of cash generating units that are expected to benefit from the synergies of the combination. Impairment loss in respect of goodwill is not reversed.

Goodwill arising on the acquisition of the subsidiaries is measured at cost less accumulated impairment losses, if any.

Computer software

Intangible assets represent the cost of computer software (ERP system) and are stated at cost less accumulated amortization and any identified impairment loss. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in statement of profit or loss as incurred.

All intangibles with finite useful life are amortized over the period of five years on a straight line basis so as to write off the cost of an asset over their estimated useful life. Amortisation on additions to intangible assets is charged from the day the asset is available for use till the day the asset is fully amortized or disposed off.

5.5 Leases

The Group is the lessee.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

At initial recognition, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

Notes to the consolidated financial statements

For the year ended 30 June 2023

Lease payments include fixed payments, variable lease payments that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

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

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

5.6 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital are included in current assets, all other investments are classified as non-current. Management determines the classification of its investments at the time of purchase depending on the purpose for which the investments are required and re-evaluates this classification on regular basis.

5.7 Impairment

Financial assets

The Group recognizes loss allowances for ECLs on:

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

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

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2023

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

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

The Group has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovery of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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

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

5.8 Stores and spares

These are valued at the moving average cost except for items in transit, which are valued at invoice price and related expenses incurred up to the reporting date. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores and spares.

Notes to the consolidated financial statements

For the year ended 30 June 2023

5.9 Stock in trade

Stocks of raw materials, packing materials, work-in-process and finished goods are valued at lower of moving average cost and net realizable value, except for stock in transit which is valued at invoice price and related expenses. Cost in relation to work in process and finished goods includes direct production costs such as raw materials, consumables, labor and appropriate proportion of production overheads. Finished goods purchased for resale are valued at moving average cost of purchase and comprise of purchase price and other costs incurred in buying the material to its present location and condition.

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

5.10 Trade debts, loans, deposits and other receivables

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

5.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortized cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, current and deposit account balances with banks and outstanding balance of running finance facilities availed by the Group.

5.12 Borrowings

Borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in statement of profit or loss over the period of the borrowings on an effective interest basis.

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

5.13 Trade and other payables

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

5.14 Provisions

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

A provision for warranties is recognised on the basis of best estimate of the warranty expense at the balance sheet date based on the past practice of customer claims and quantum of warranty expenses incurred during the year. While making the estimate, the Group takes into account the frequency of customer complaints, the past and expected trend of defects in the product etc.

Notes to the consolidated financial statements

For the year ended 30 June 2023

5.15 Foreign currency translation

Foreign currency transactions are translated into Pakistan Rupees which is the Group's functional and presentation currency using the exchange rates approximating those prevailing at the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees using the exchange rate at the reporting date. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of profit or loss. All non-monetary assets and liabilities are translated in Pakistan Rupees using the exchange rates prevailing at the date of transaction or at the date when the fair value was determined.

5.16 Revenue recognition

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

5.16.1 Sale of goods

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

5.16.2 Dividends

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

5.16.3 Interest income

Interest income is recognised as it accrues under the effective interest method.

5.17 Contract liabilities

A contract liability is the obligation of the Group to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. It also includes refund liabilities arising out of customers' right to claim amounts from the Group on account of contractual delays in delivery of performance obligations and incentive on target achievements.

5.18 Borrowing costs

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

Notes to the consolidated financial statements

For the year ended 30 June 2023

5.19 Financial instruments

5.19.1 Recognition and initial measurement

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

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

5.19.2 Classification and subsequent measurement

Financial assets

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

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

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

Amortized cost

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

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

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

Financial assets measured at amortized cost comprise of cash and bank balances, long term loans and advances, trade debts, deposits and other receivables.

Debt Instrument - FVOCI

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

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

Notes to the consolidated financial statements

For the year ended 30 June 2023

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

Equity Instrument - FVOCI

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

These assets are subsequently measured at fair value. Dividends are recognized as income in statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to statement of profit or loss.

Equity instrument at fair value through other comprehensive income comprises of long term investment in Techlogix International Limited.

Fair value through profit or loss (FVTPL)

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

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at fair value through profit or loss comprise of short term investment in listed equity securities and long term deposits.

Financial assets – Business model assessment:

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Notes to the consolidated financial statements

For the year ended 30 June 2023

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in consolidated statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in consolidated statement of profit or loss.

Financial liabilities comprise trade and other payables, short term borrowings, long term financing, current portion of long term liabilities, long term deposits, accrued markup and unclaimed dividend.

5.19.3 Derecognition

Financial assets

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

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

Financial liabilities

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

5.20 Research and development costs

Research and development costs are charged to profit or loss account as and when incurred.

5.21 Contingent liabilities

A contingent liability is disclosed when:

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

Notes to the consolidated financial statements

For the year ended 30 June 2023

5.22 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from other segments. Operating segment are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Director of the Group that makes strategic decisions.

5.23 Government grant

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities - e.g. a government subsidy. The definition of "government" refers to governments, government agencies and similar bodies, whether local, national or international.

The Group recognizes government grants when there is reasonable assurance that grants will be received and the Group will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Group will be able to comply with the conditions associated with the grants.

Grants that compensate the Group for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

Loan at subsidized rate under SBP refinancing scheme for payment of wages and salaries is initially measured at the fair value i.e. the present value of the expected future cash flows discounted at a market-related interest rate. The difference between the amount received and the fair value is recognized as government grant.

5.24 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS with weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Group that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

5.25 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention and ability to settle on a net basis, or realize the asset and settle the liability simultaneously.

5.26 Share Capital

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

Notes to the consolidated financial statements

For the year ended 30 June 2023

6 PROPERTY, PLANT AND EQUIPMENT

| | Note | 2023 (Rupees in thousand) | 2022 |
|--------------------------|------|------------------------------|------------|
| Operating fixed assets | 6.1 | 15,396,402 | 15,792,559 |
| Capital work in progress | 6.2 | 1,613,144 | 1,197,396 |
| | | 17,009,546 | 16,989,955 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

6.1 Operating fixed assets

| | | 2023 | | | | | | | 2022 | | | | | | | | |
|--|--|-------------------------------|--|-------------------------|--|--|--|--|--------------------------------|-------------------------------|--|-------------------------|--|--|--|--|--------------------------------|
| | | Annual rate of depreciation % | Cost / revalued amount as at July 01, 2022 | Additions / (Deletions) | Cost / revalued amount as at June 30, 2023 | Accumulated depreciation as at July 01, 2022 | Depreciation charge / (deletions) for the year | Accumulated depreciation as at June 30, 2023 | Book value as at June 30, 2023 | Annual rate of depreciation % | Cost / revalued amount as at July 01, 2022 | Additions / (Deletions) | Cost / revalued amount as at June 30, 2023 | Accumulated depreciation as at July 01, 2022 | Depreciation charge / (deletions) for the year | Accumulated depreciation as at June 30, 2022 | Book value as at June 30, 2022 |
| Owned | | | | | | | | | | | | | | | | | |
| Freehold land - note 6.1.1 | | - | 4,948,574 | - | 4,948,574 | - | - | - | 4,948,574 | - | 4,948,574 | - | 4,948,574 | - | - | - | 4,948,574 |
| Building on freehold land - note 6.1.1 | | 3.33 - 5 | 4,440,489 | 12,842 | 4,453,331 | 132,489 | 129,511 | 262,000 | 4,191,331 | | 4,440,489 | - | 4,440,489 | 132,489 | 132,489 | 132,489 | 4,308,000 |
| Buildings on leasehold land | | 10 | 21,432 | - | 21,432 | 2,143 | 3,283 | 5,426 | 16,006 | | 21,432 | - | 21,432 | 2,143 | 2,143 | 2,143 | 19,289 |
| Plant and machinery | | 10 | 6,548,670 | 113,427 | 6,662,097 | 425,876 | 435,678 | 861,554 | 5,800,543 | | 6,548,670 | 395,186 | 6,548,670 | 425,876 | 425,876 | 425,876 | 6,122,794 |
| Furniture and equipment | | 10 - 25 | 324,337 | 40,482 | 364,402 | 139,763 | 32,199 | 171,700 | 192,703 | | 324,337 | 17,878 | 324,337 | 109,378 | 30,642 | 139,762 | 184,575 |
| | | | | (417) | | | (262) | | | | | (580) | | | (258) | | |
| Computer & IT equipment | | 25 | 85,222 | 15,873 | 99,436 | 73,615 | 6,803 | 79,082 | 20,354 | | 85,222 | 6,932 | 85,222 | 67,590 | 7,292 | 73,615 | 11,606 |
| | | | | (1,658) | | | (1,336) | | | | | (1,420) | | | (1,266) | | |
| Vehicles | | 20 | 460,772 | 111,624 | 508,799 | 263,015 | 70,478 | 281,908 | 226,891 | | 460,772 | 111,624 | 508,799 | 259,255 | 63,179 | 263,015 | 197,721 |
| | | | | (63,597) | | | (51,585) | | | | | (63,597) | | | (59,383) | | |
| | | | 16,829,496 | 294,248 | 17,058,072 | 1,036,901 | 677,952 | 1,661,670 | 15,396,402 | | 16,829,496 | 520,032 | 16,829,496 | 436,223 | 659,478 | 1,036,901 | 15,792,559 |
| | | | | (65,672) | | | (53,183) | | | | | (78,010) | | | (60,907) | | |
| Owned | | | | | | | | | | | | | | | | | |
| Freehold land - note 6.1.1 | | - | 4,948,574 | - | 4,948,574 | - | - | - | 4,948,574 | | 4,948,574 | - | 4,948,574 | - | - | - | 4,948,574 |
| Building on freehold land - note 6.1.1 | | 3.33 - 5 | 4,440,489 | - | 4,440,489 | - | - | - | 4,308,000 | | 4,440,489 | - | 4,440,489 | - | 132,489 | 132,489 | 4,308,000 |
| Buildings on leasehold land | | 10 | 21,432 | - | 21,432 | - | 2,143 | 2,143 | 19,289 | | 21,432 | - | 21,432 | - | 2,143 | 2,143 | 19,289 |
| Plant and machinery | | 10 | 6,548,670 | 395,186 | 6,548,670 | 425,876 | 425,876 | 425,876 | 6,122,794 | | 6,548,670 | 395,186 | 6,548,670 | 425,876 | 425,876 | 425,876 | 6,122,794 |
| Furniture and equipment | | 10 - 25 | 307,039 | 17,878 | 324,337 | 109,378 | 30,642 | 139,762 | 184,575 | | 307,039 | 17,878 | 324,337 | 109,378 | 30,642 | 139,762 | 184,575 |
| | | | | (580) | | | (258) | | | | | (580) | | | (258) | | |
| Computer & IT equipment | | 25 | 79,710 | 6,932 | 85,222 | 67,590 | 7,292 | 73,615 | 11,606 | | 79,710 | 6,932 | 85,222 | 67,590 | 7,292 | 73,615 | 11,606 |
| | | | | (1,420) | | | (1,266) | | | | | (1,420) | | | (1,266) | | |
| Vehicles | | 20 | 436,746 | 100,036 | 460,772 | 259,255 | 63,179 | 263,015 | 197,721 | | 436,746 | 100,036 | 460,772 | 259,255 | 63,179 | 263,015 | 197,721 |
| | | | | (76,010) | | | (59,383) | | | | | (76,010) | | | (59,383) | | |
| | | | 16,387,474 | 520,032 | 16,829,496 | 436,223 | 659,478 | 1,036,901 | 15,792,559 | | 16,387,474 | 520,032 | 16,829,496 | 436,223 | 659,478 | 1,036,901 | 15,792,559 |
| | | | | (78,010) | | | (60,907) | | | | | (78,010) | | | (60,907) | | |

Notes to the consolidated financial statements

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6.1.1 Particulars of immovable property (i.e. land and building) in the name of Holding Company and its subsidiaries are as follows:

| Location | Usage of Immovable Property | Total area (acres) | Covered Area (Square Feet) |
|--|--|--------------------|----------------------------|
| Main Haali/ Link Road Hyderabad | Manufacturing facility | 5.49 | 98,696 |
| 72-B Main Peco Road, Kot Lakhpat Lahore | Head Office and Manufacturing facility | 11.62 | 231,440 |
| Warehouse land, 14 Km Multan Road, Lahore | Warehouse | 1.50 | 10,752 |
| 09 Km Thokar Niaz Baig, Lahore | Education campus | 15.17 | 348,480 |
| Faisalabad Industrial Estate, Sahianwala Faisalabad | Manufacturing facility | 40 | 367,184 |
| 05 Km off Ferozpur Road, Gajju Matta, Kacha Road, Lahore | Manufacturing facility and warehouse | 10.29 | 142,403 |

6.1.2 The latest revaluation is carried out at 30 June 2021. As per the revaluation report, forced sale value of freehold land, building on freehold land and plant and machinery is Rs. 4,204.4 million, Rs. 3,792.63 million and 4,922.79 million respectively.

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|------|------------------------------|---------|
| 6.1.3 Depreciation charge for the year has been allocated as follows: | | | |
| Cost of goods sold - blades | 35.1 | 310,416 | 303,091 |
| Cost of goods sold - soaps | 35.2 | 416 | 3,588 |
| Cost of goods sold - corrugated boxes | 35.3 | 33,482 | 28,612 |
| Cost of goods sold - bikes | 35.4 | 1,811 | 1,810 |
| Cost of goods sold - battery | 35.5 | 262,936 | 274,432 |
| Cost of goods sold - pharmaceutical products | 35.6 | 2,187 | 2,561 |
| | | 611,249 | 614,094 |
| Administrative expenses | 36 | 47,091 | 38,250 |
| Distribution cost | 37 | 19,612 | 18,021 |
| | | 677,952 | 670,365 |

6.1.4 Had the assets not been revalued, the net book value of specific classes of operating fixed assets would have amounted to:

| | | |
|---------------------|-----------|-----------|
| Freehold land | 367,054 | 469,885 |
| Buildings | 2,929,082 | 3,821,834 |
| Plant and Machinery | 3,409,249 | 3,920,264 |
| | 6,705,385 | 8,211,983 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

6.1.5 The following assets were disposed off during the year having net book value above Rs. 0.5 million:

| Particulars | Cost | Accumulated depreciation | Book value | Sale proceeds | Gain / (Loss) on disposal | Mode of disposal | Relationship with the Company | Particulars of purchaser |
|----------------------------------|---------------|--------------------------|--------------|---------------|---------------------------|------------------|-------------------------------|--------------------------|
| ----- (Rupees in thousand) ----- | | | | | | | | |
| Vehicles | | | | | | | | |
| Honda Civic | 4,012 | 1,435 | 2,577 | 2,652 | 75 | Company Policy | Employee | Farid Rasheed |
| Glory | 4,500 | 1,625 | 2,875 | 3,607 | 732 | Company Policy | Employee | Hussain Yousaf |
| Toyota Yaris | 2,888 | 16 | 2,872 | - | (2,872) | Company Policy | Employee | Sohail Habib |
| Suzuki Cultus | 875 | 14 | 861 | 35 | (826) | Company Policy | Employee | Anis Gohar Sheikh |
| Suzuki Cultus | 990 | 198 | 792 | 120 | (672) | Company Policy | Employee | Sameer Malik |
| 2023 | 13,265 | 3,288 | 9,977 | 6,414 | (3,563) | | | |
| 2022 | 15,878 | 7,886 | 7,992 | 10,768 | 2,776 | | | |

| | Note | 2023 (Rupees in thousand) | 2022 |
|-------------------------------------|------|------------------------------|-----------|
| 6.2 Capital work in progress | | | |
| Civil works | | 1,270,542 | 861,076 |
| Plant and machinery | | 286,645 | 240,720 |
| Furniture and equipment | | 36,141 | 19,395 |
| Vehicles | | 19,816 | - |
| Advances for capital expenditure | | - | 76,205 |
| | | 1,613,144 | 1,197,396 |
| 7 RIGHT OF USE ASSETS | | | |
| Cost as at 01 July | | 137,141 | 126,776 |
| Additions during the year | | 16,625 | 10,365 |
| | | 153,766 | 137,141 |
| Accumulated depreciation | | | |
| As at 01 July | | (54,467) | (38,977) |
| Amortization for the year | 7.1 | (17,272) | (15,490) |
| | | (71,739) | (54,467) |
| Cancellation of lease | | (49,975) | (39,277) |
| Net book value as at 30 June | | 32,052 | 43,397 |

Annual rate of depreciation - 15% - 35% (2022: 15% - 35%)

7.1 The depreciation charge for the year on the right of use assets has been allocated as under:

| | | | |
|-------------------|------|---------------|--------|
| Cost of revenue | 35.2 | 17,272 | 8,745 |
| Distribution cost | 37 | - | 6,745 |
| | | 17,272 | 15,490 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|----------|
| 8 INTANGIBLE ASSETS | | | |
| Oracle computer software and implementation | 8.1 | 1,313 | 15,389 |
| Goodwill acquired on acquisition | 8.2 | 133,613 | 133,613 |
| | | 134,926 | 149,002 |
| 8.1 Oracle computer software and implementation | | | |
| Intangible asset represents computer software (ERP system). | | | |
| Cost | | | |
| As at 01 July | | 73,836 | 73,836 |
| Addition during the year | | 716 | - |
| | | 74,552 | 73,836 |
| Accumulated amortisation | | | |
| As at 01 July | | (58,447) | (43,680) |
| Amortisation for the year | | (14,792) | (14,767) |
| | | (73,239) | (58,447) |
| Balance at 30 June | | 1,313 | 15,389 |
| Rate of amortisation - 20% (2022: 20%) | | | |

8.2 Goodwill acquired on acquisition

This represents excess of purchase consideration paid by the Group for acquisition of Renacon Pharma Limited (RPL) over Group's interest in the fair value of identifiable net assets of RPL at date of acquisition.

The recoverable amount of goodwill has been tested for impairment as at 30 June 2023 based on value in use in accordance with IAS 36 "Impairment of Assets". The recoverable amount was calculated on the basis of five years business plan which includes a comprehensive analysis of existing operational deployments of the Company along with strategic business plans and business growth. The value in use calculations are based on cash flow projections derived from aforesaid business plan, which have been extrapolated beyond five years, by using a growth rate of 5%. The cash flows are discounted using a discount rate of 16.95% which is sensitive to discount rate and local inflation rates. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

| | | | |
|--------------------------------|-----|----------------|---------|
| 9 LONG TERM INVESTMENTS | | | |
| At FVOCI | 9.1 | 8,167 | 8,167 |
| Investment in associates | 9.2 | 522,455 | 751,378 |
| | | 530,622 | 759,545 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|------|------------------------------|--------------|
| 9.1 Fair value through OCI | | | |
| <u>Techlogix International Limited - unquoted</u> | | | |
| 711,435 (2021: 711,435) fully paid ordinary shares of par value of USD 0.190761. Equity held: 0.67 % (2022: 0.67 %) | | | |
| Investment classified as fair value through other | | | |
| Comprehensive income | | 8,167 | 8,167 |
| | | 8,167 | 8,167 |

9.1.1 Techlogix International Limited ("Techlogix") is a Bermuda registered Company with the beneficial owners, Salman Akhtar and Kewan Khawaja of United States of America. Techlogix is engaged in providing specialized technical consultancy and software development services to national and international clients. The Group intends to hold this investment of USD 104.5 (2022: USD 104.5) over the long term and realise its returns. During the year, the Group has not received any return (2022: Rs. Nil).

9.1.2 This investment was made before the promulgation of the Companies Act, 2017 and the requirements of repealed Companies Ordinance, 1984 were duly complied with at the time of investment.

9.2 Investment in associate

| | | | |
|--|-------|----------------|----------------|
| Loads Limited- quoted | | | |
| 31,387,657 (2022: 31,387,657) fully paid ordinary shares of Rs. 10 each Equity held: 12.49% (2022: 12.49%) Chief Executive Officer - Munir K. Bana | 9.2.1 | 509,290 | 733,619 |
| Global Assets (Private) Limited - unquoted | | | |
| 3,000,000 fully paid ordinary shares of Rs. 10 each Equity held: 28.74% (2022: 28.74%) Chief Executive Officer - Syed Shahid Ali | 9.2.2 | 13,165 | 17,759 |
| | | 522,455 | 751,378 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | 2023 (Rupees in thousand) | 2022 |
|--|------------------------------|----------|
| 9.21 Loads Limited | | |
| Cost | 287,455 | 287,455 |
| Brought forward amounts of post acquisition reserves and profits recognized directly in consolidated statement of profit or loss | 446,164 | 460,441 |
| | 733,619 | 747,896 |
| Investment made during the year | - | - |
| | 733,619 | 747,896 |
| <i>Share of profit / (loss) for the year</i> | | |
| - before taxation | (213,053) | 19,350 |
| - provision for taxation | (11,432) | (31,068) |
| | (224,485) | (11,718) |
| Share of other comprehensive income | 156 | (2,559) |
| Balance as at 30 June | 509,290 | 733,619 |

The Holding Company's investment in Loads Limited is less than 20% but it is considered an associate in accordance with the requirements of IAS - 28 "Investments in Associates" since the Company has significant influence over its financial and operating policies through its representation on the Board of Loads Limited.

Loads Limited ("Loads") was incorporated in Pakistan on 01 January 1979 as a private limited Company. On 19 December 1993, Loads was converted to public unlisted Company and subsequently on 01 November 2016, the shares of the Loads were listed on Pakistan Stock Exchange Limited. The registered office of the Loads is situated at Plot No. 23, Sector 19, Korangi Industrial Area, Karachi. The principal activity of the Loads is to manufacture and sale of radiators, exhaust systems and other components for automotive industry. The activities of the Loads are largely independent of the Holding Company. The following table summarizes the financial information of Loads as included in its own consolidated audited financial statements and the Group's share in the results. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in its associate.

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | 2023 | 2022 |
|--|----------------------|------------------|
| | (Rupees in thousand) | |
| Percentage of direct holding - 12.49% (2022: 12.49%) | | |
| Percentage of effective holding - 12.57% (2022: 12.57%) | | |
| Non-current assets | 4,404,997 | 5,432,763 |
| Current assets | 2,439,622 | 3,682,337 |
| Non-current liabilities | (926,014) | (1,347,689) |
| Current liabilities | (3,751,938) | (3,819,444) |
| Net assets (100%) | 2,166,667 | 3,947,967 |
| Group's share of net assets | 270,673 | 493,204 |
| Impact of revaluation of property plant and equipment | 238,617 | 240,415 |
| Carrying amount of interest in associate | 509,290 | 733,619 |
| Revenue | 7,791,955 | 7,791,955 |
| Loss from operations | (1,797,633) | (86,255) |
| Other comprehensive income | 12,971 | (32,762) |
| Total comprehensive income (100%) | (1,784,662) | (119,017) |
| Group's share of total comprehensive income / (loss) | (224,329) | (14,960) |

9.2.1 Partial investment was made before the promulgation of the Companies Act, 2017 and the requirements of repealed Companies Ordinance, 1984 were duly complied at the time of investment. Further investments made during the year is complied with the requirement of Company's Act 2017.

9.2.2 Global Assets (private) Limited

| | | |
|---|----------|----------|
| Cost | 30,000 | 30,000 |
| Brought forward amounts of post acquisition reserves and (loss) recognized directly in consolidated statement of profit or loss | (12,241) | 881 |
| Share of (loss) / profit for the year | (4,594) | (13,122) |
| Balance as at 30 June | 13,165 | 17,759 |

Global Assets (Private) Limited (formerly Treet Assets (Private) Limited) was incorporated on 12 May 2008 in Pakistan under the (repealed) Companies Ordinance, 1984 (now the Companies Act, 2017). The principal activities of the company is to deal with investments in shares, debentures, bonds or any securities of the company or on behalf of the holding company i.e. Messrs. Treet Corporation Limited as well as other group companies. The registered office of the company is situated at 72-B, Industrial Area, Kot lakh pat, Lahore. The following table summarizes the financial information of Global Assets Limited as included in its own audited financial statements and the Group's share in the results. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in its associate.

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|-----------------|
| Percentage interest held | | 28.85% | 28.85% |
| Current assets | | 42,826 | 58,828 |
| Current liabilities | | (325) | (326) |
| Net assets (100%) | | 42,501 | 58,502 |
| Group's share of net assets | | 12,261 | 16,877 |
| Excess of purchase consideration over net assets | | 882 | 882 |
| Carrying amount of interest in associate | | 13,143 | 17,759 |
| Total comprehensive (loss)/income | | (15,926) | (45,488) |
| Group's share of total comprehensive (loss) / income | | (4,594) | (13,122) |

9.2.2.1 This investment was made before the promulgation of the Companies Act, 2017 and the requirements of repealed Companies Ordinance, 1984 were duly complied at the time of investment.

10 LONG TERM DEPOSITS

| | | | |
|------------------|--|----------------|---------------|
| Security deposit | | 111,706 | 99,335 |
| Others | | 40 | 40 |
| | | 111,746 | 99,375 |

11 LONG TERM LOANS

| | | | |
|--|------|--------------|--------------|
| Loans to employees - secured, considered good | 11.1 | 24,310 | 23,817 |
| Less : Current portion of loan to employees - secured, considered good | 16 | (21,558) | (17,507) |
| | | 2,752 | 6,310 |

11.1 These loans are interest free and are secured against employees' retirement benefits. These loans are recoverable in 12 to 24 monthly instalments. This includes loans to executives amounting to Rs. 13.7 million (2022: Rs. 2.43 million) which further include loan to the following key management personnels;

| | | | |
|------------------------|--|---------------|--------------|
| Arshad Latif | | - | - |
| M. Mohtashim Aftab | | - | 3,600 |
| Mr. Akhlaq Ahmed | | - | 1,686 |
| Amir Kaleem | | 619 | - |
| Israr-UI Haq | | 1,163 | - |
| Muhammad Khurram Iqbal | | 2,482 | - |
| Chaudhry Ehsan UI Haq | | 4,500 | - |
| Zunaira Dar | | 2,014 | - |
| Mohammad Imran | | 465 | - |
| Rashid Siddique | | 657 | - |
| Rana Imran Ahmed | | 401 | - |
| Asgar Ali Bhatti | | 656 | - |
| | | 12,957 | 5,286 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|-------------|--|------------------------------|-------|
| 11.2 | Maximum outstanding balance with reference to month end balances are as follows: | | |
| | Arshad Latif | - | 803 |
| | M. Mohtashim Aftab | - | 4,800 |
| | Mr. Akhlaq Ahmed | - | 1,686 |
| | Amir Kaleem | 2,972 | - |
| | Israr-UI Haq | 1,395 | - |
| | Muhammad Khurram Iqbal | 3,505 | - |
| | Chaudhry Ehsan UI Haq | 5,400 | - |
| | Zunaira Dar | 2,686 | - |
| | Mohammad Imran | 1,860 | - |
| | Rashid Siddique | 717 | - |
| | Rana Imran Ahmed | 1,604 | - |
| | Asghar Ali Bhatti | 1,575 | - |

Further, no amount is due from Directors and Chief Executive at the year end (2022: Rs. Nil).

12 STORES AND SPARES

| | | | |
|--|--|---------|---------|
| | Stores | 268,320 | 264,800 |
| | Spares | 163,753 | 155,307 |
| | | 121 | 420,107 |
| | Provision for obsolete and slow moving inventory | (5,523) | (5,523) |
| | | 426,550 | 414,584 |

12.1 It includes stores and spares in transit amounting to Rs. Nil (2022: Rs. 3.11 million).

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|-------------|------------------------------|-----------|
| 13 STOCK IN TRADE | | | |
| Blades, razor and other trading operations: | | | |
| Raw and packing material | 13.1 | 1,899,397 | 1,150,463 |
| Work in process | 35.1 | 137,153 | 341,213 |
| Finished goods | 13.2 & 35.1 | 827,100 | 487,110 |
| | | 2,863,650 | 1,978,786 |
| Battery: | | | |
| Raw and packing materials | 13.1 | 853,846 | 464,796 |
| Work in process | 35.5 | 238,743 | 332,698 |
| Finished goods | 13.2 & 35.5 | 48,479 | 72,681 |
| | | 1,141,068 | 870,175 |
| Soaps: | | | |
| Raw and packing materials | | 84,586 | 35,893 |
| Finished goods | 35.2 | 82,898 | 28,198 |
| | | 167,484 | 64,091 |
| Corrugated boxes: | | | |
| Raw and packing materials | | 197,641 | 199,788 |
| Work in process | 35.3 | 11,197 | 7,975 |
| Finished goods | 35.3 | 38,668 | 22,941 |
| | | 247,506 | 230,704 |
| Bike: | | | |
| Raw and packing materials | 13.1 | 15,052 | 13,730 |
| Finished goods | 35.4 | 3,905 | 1,465 |
| | | 18,957 | 15,195 |
| Pharmaceutical products: | | | |
| Raw and packing materials | 13.1 | 85,774 | 56,687 |
| Work in process | 35.6 | - | - |
| Finished goods | 35.6 | 19,805 | 10,242 |
| | | 105,579 | 66,929 |
| | | 4,544,244 | 3,225,880 |
| Provision for obsolete and slow moving inventory | | (5,360) | (3,545) |
| | | 4,538,884 | 3,222,335 |
| 13.1 It includes raw material in transit, the break up is as follows; | | | |
| Blades | | 168 | 277 |
| Battery | | 125 | 25 |
| Bike | | - | - |
| Pharmaceutical products | | 30 | 19 |
| | | 323 | 321 |

13.2 The amount charged to consolidated statement of profit or loss on account of write down of finished goods to net realizable value amounts to Nil (2022: Nil). It also includes finished goods in transit amounting to Nil (2022: Rs. 1.84 million).

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|--|------------------------------|-----------|
| 14 TRADE DEBTS | | | |
| Foreign debtors | | 258,013 | 122,977 |
| Local debtors | 14.1 | 1,580,615 | 1,060,105 |
| | | 1,838,628 | 1,183,082 |
| Less: Impairment allowance | 14.2 | (39,514) | (90,138) |
| | | 1,799,114 | 1,092,944 |
| 14.1 It includes unsecured receivable from following related parties: | | | |
| Liaqat National Hospital | 14.1.1 | 3,254 | 4,914 |
| Loads Limited | 14.1.2 | 45 | 100 |
| Gilab Devi Chest Hospital | 14.1.3 | 141 | 252 |
| Elite Brands Limited | 14.1.4 | 32,487 | 25,053 |
| Specialized Autoparts Industries (Pvt) Limited | 14.1.5 | 75 | 5 |
| Multiple Autoparts Industries (Pvt) Limited | | - | 5 |
| | | 36,002 | 30,329 |
| 14.1.1 | This represents receivable in the normal course of business and is due by not more than 180 days. The maximum amount outstanding at the end of any month was Rs. 5.38 million (2022: 7.82 million). | | |
| 14.1.2 | This represents receivable in the normal course of business and is due by not more than 90 days. The maximum amount outstanding at the end of any month was Rs. 0.25 million (2022: Rs 51.95 million). | | |
| 14.1.3 | This represents receivable in the normal course of business and is due by less than 90 days. The balance is neither past due nor impaired. Maximum amount outstanding at any time during the year, with respect to month end balances, was Rs. 0.176 million (2022: Rs 0.252 million). | | |
| 14.1.4 | This represents receivable in the normal course of business and is due by less than 90 days. The balance is neither past due nor impaired. Maximum amount outstanding at any time during the year, with respect to month end balances, was Rs. 20.737 million (2022: Rs. 25.05 million). | | |
| 14.1.5 | This represents receivable in the normal course of business and is due by less than 90 days. The balance is neither past due nor impaired. Maximum amount outstanding at any time during the year, with respect to month end balances, was Rs. 0.075 million (2022: Rs. 0.005 million). | | |
| 14.2 The movement in allowance for impairment is as follows: | | | |
| Balance as at 01 July | | 90,138 | 62,891 |
| Expected credit loss for the year | | 4,011 | 27,247 |
| Reversal of expected credit loss for the year | 40 | (54,635) | - |
| Balance as at 30 June | | 39,514 | 90,138 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|---------|
| 15 | | | |
| SHORT TERM INVESTMENTS | | | |
| <i>Investments at fair value through profit or loss</i> | | | |
| Listed equity securities | 15.1 | 100,668 | 102,368 |
| | | 100,668 | 102,368 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

15.1 Detail of investments in listed equity securities is stated below:

| | | 2023 | | | | | |
|-------------------------|-------------------|----------------------|----------------|----------------------------------|---|--|----------------------------------|
| | | (Rupees in thousand) | | | | | |
| | Shares | Cost | Market value | Opening unrealized gain / (loss) | Realized gain on disposal during the year | Unrealized gain / (loss) during the year | Closing unrealized gain / (loss) |
| | Number | | | | | | |
| a) Banks | | | | | | | |
| | 15,925,000 | 26,612 | 15,925 | (7,820) | - | (2,867) | (10,687) |
| b) Textile | | | | | | | |
| | 27,026 | 2,458 | 2,703 | 3,495 | - | (3,250) | 245 |
| | 894,500 | 27,554 | 81,847 | 49,686 | - | 4,607 | 54,293 |
| c) Steel Mills | | | | | | | |
| | 32,704 | - | 176 | 361 | - | (185) | 176 |
| d) Miscellaneous | | | | | | | |
| | 203 | 31 | 17 | (9) | - | (5) | (14) |
| | 133,000 | - | - | - | - | - | - |
| | 17,012,433 | 56,655 | 100,668 | 45,713 | - | (1,700) | 44,013 |
| | | 2022 | | | | | |
| | | (Rupees in thousand) | | | | | |
| | Shares | Cost | Market value | Opening unrealized gain / (loss) | Realized gain on disposal during the year | Unrealized gain / (loss) during the year | Closing unrealized gain / (loss) |
| | Number | | | | | | |
| a) Banks | | | | | | | |
| | 15,925,000 | 26,612 | 18,792 | 5,549 | (220) | (13,218) | (7,820) |
| b) Textile | | | | | | | |
| | 27,026 | 2,458 | 5,953 | 5,919 | - | (2,426) | 3,495 |
| | 894,500 | 27,554 | 77,240 | 624 | - | 49,063 | 49,686 |
| c) Steel Mills | | | | | | | |
| | 32,704 | - | 361 | - | - | 361 | 361 |
| d) Miscellaneous | | | | | | | |
| | 203 | 31 | 22 | 8 | - | (17) | (9) |
| | 133,000 | - | - | - | - | - | - |
| | 17,012,433 | 56,655 | 102,368 | 12,100 | (220) | 33,763 | 45,713 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|------|------------------------------|------------------|
| 16 LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| Current portion of loan to employees - secured, considered good | 11 | 21,558 | 17,507 |
| Advances to employees - secured, considered good | 16.1 | 154,643 | 116,263 |
| Advances to suppliers - unsecured, considered good | 16.2 | 392,492 | 281,644 |
| Margin deposits - Letter of credits | | - | 31,065 |
| Deposits | | 23,115 | 277,451 |
| Prepayments | | 55 | - |
| Advances to related parties / employee retirement funds - unsecured considered good | | | |
| - Loads Limited | | 6,629 | 6,629 |
| - Hi-Tech Alloy Wheels Limited | | 3,473 | 3,473 |
| - Employees Housing Fund | | 40,286 | 38,138 |
| | 16.3 | 50,388 | 48,240 |
| Balance with statutory authorities | | | |
| - Export rebate | | 166,921 | 144,441 |
| - Collector of customs - custom duty | | 38,201 | 11,049 |
| - Advance income tax | | 742,779 | 971,831 |
| - Sales tax | | 456,608 | 18,927 |
| | | 1,404,509 | 1,146,248 |
| Receivable from broker against sale of investments | | 4,140 | 4,131 |
| Other receivables | | 10,883 | 3,663 |
| | | 2,061,783 | 1,926,212 |

16.1 These are interest free advances to employees in respect of salary, medical and travelling expenses and are secured against employees retirement benefits. These include an aggregate amount of Rs. 27.44 million (2022: Rs. 6.9 million) receivable from executives of the Group. Amount of Rs. 5.09 million is advanced to chief executive officer.

16.2 These are interest free in the normal course of business.

16.3 These represent amounts receivable from related parties against reimbursement of expenses and purchase of goods or services under normal business trade as per the agreed terms and are interest free.

Maximum outstanding balance due from related parties at any time during the year, with reference to month end balances is as follows:

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|----------------------------------|------|------------------------------|----------|
| - Loads Limited | | 6,629 | 6,629 |
| - Employees Housing Fund | | 40,286 | 38,138 |
| - Hi-Tech Alloy Wheels Limited | | 3,473 | 3,473 |
| 17 CASH AND BANK BALANCES | | | |
| Cash in hand | | 21,850 | 29,927 |
| Cash at bank - local currency | | | |
| Current accounts | 17.1 | 190,075 | 371,745 |
| Saving accounts | 17.2 | 159,310 | 198,357 |
| | | 349,385 | 570,102 |
| - Temporary Overdraft | | (3,828) | (83,235) |
| | | 367,407 | 516,794 |

17.1 These include bank accounts of Rs. 1.14 million (2022: Rs. 82.8 million) maintained under Shariah compliant arrangements.

17.2 These carry mark-up at the rates ranging from 12.5% to 19.5% per annum (2022: 2% to 12.25% per annum).

These include deposits of Rs. 0.13 million (2022: Rs. 1.3 million) under Shariah compliant arrangements, which carries profit rate ranging from 4.8% to 7.73% per annum (2022: 3% to 4.65% per annum). The remaining balance carry mark-up at the rates ranging from 12% to 19.5% per annum (2022: 10% to 12.25% per annum).

18 CURRENT PORTION OF LONG TERM LIABILITIES

| | | | |
|--|----|---------|---------|
| Current portion of long term finances | 25 | 109,406 | 90,498 |
| Current portion of deferred government grant | | 14,947 | 3,205 |
| Current portion of lease liabilities | 28 | 15,987 | 13,838 |
| | | 140,340 | 107,541 |

19 SHORT TERM BORROWINGS

| | | | |
|--------------------------------------|--|-----------|------------|
| Short term running finance - secured | | 6,178,305 | 6,911,385 |
| Short term advance - secured | | 1,321,210 | 1,616,729 |
| Export refinance - secured | | 943,810 | 1,474,092 |
| Interest free, unsecured | | 50,000 | 50,000 |
| | | 8,493,325 | 10,052,206 |

19.1 Particulars of borrowings

| | | | |
|-----------------------------------|------|-----------|------------|
| Interest / markup based financing | 19.2 | 4,700,252 | 5,523,574 |
| Islamic mode of financing | | | |
| - Holding Company | 19.3 | 1,224,788 | 1,518,484 |
| - Subsidiary Company | 19.4 | 2,518,285 | 2,960,148 |
| Loan from director of subsidiary | 19.5 | 50,000 | 50,000 |
| | | 8,493,325 | 10,052,206 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

- 19.2** The Holding company and subsidiary company Renacon Pharma has availed following running finance facilities:
- This represents running finance facility availed from various commercial banks to meet working capital requirements of the Company. These carry markup at an effective markup rate ranging from 14.66% to 24.98% (2022: 8.01% to 16.02%) per annum payable quarterly in arrears.
 - This represents export refinance and other funded facilities availed from various commercial banks to meet working capital requirements of the Company. These carry markup at an effective markup rate ranging from 3% to 22.70% (2022: 2.5% to 12.93%) per annum payable quarterly in arrears.
 - The running finance facility is availed from MCB Bank Limited and carries markup @ 1 Month KIBOR + 1% (2022: 1 Month KIBOR + 1.5%) per annum, payable quarterly. The approved limit of this facility is Rs. 100 million (2022: 100 million). Further, this is secured against the 1st pari passu charge over all present and future current assets of the Company (including 25% security margin) and corporate guarantee of the Treet Corporation Limited (parent company). The limit will expire on 31 December 2023 and it is renewable. The markup on this short term facility ranges from 15.30% to 23.05% (2022: 9.01% to 15.81%) per annum.
 - The aggregate unavailed short term borrowing facilities amounts to Rs. 891.5 million (2022: Rs. 3,100 million)
- 19.3** This represents musharka running finance and other facilities availed under shariah compliant mode from various Islamic banks to meet working capital requirements of the Company. These carry profit at an effective profit rate ranging from 12.52% to 24.12% (2022: 9.51% to 15.31%) per annum payable quarterly in arrears or on maturity.
- The facilities mentioned in 21.2 to 21.3 above are secured by first joint pari passu charge / hypothecation charge / ranking charge over present and future current assets of the Holding Company, lien marked over import documents and title of ownership of goods imported under letters of credit.
- 19.4** The subsidiary company, has availed following Islamic mode of financing facilities:
- The facilities mentioned in 21.2 to 21.3 above are secured by first joint pari passu charge / hypothecation charge / ranking charge over present and future current assets of the Holding Company, lien marked over import documents and title of ownership of goods imported under letters of credit.
 - All the short term borrowings from the various financial institutions as disclosed carry profit rates ranging from 3 to 9 Month KIBOR + 1.00% to 2.5% (2022: 3 to 9 Month KIBOR + 1.00% to 2.5%) per annum, payable quarterly. Further, these are secured against the 1st/ Joint Pari Passu charge over all present and future current assets, plant and machinery of the Modaraba (including 25% safety margin) and corporate guarantee of Treet Corporation Limited. The limits will expire on various dates by 16 July 2023 but are renewable.
- 19.5** This loan is from director and is unsecured, markup free and payable at the convenience of the Company.

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|------|------------------------------|------------------|
| 20 TRADE AND OTHER PAYABLES | | | |
| Trade creditors | | | |
| - Related parties | 20.1 | 5,544 | 358 |
| - Others | | 1,621,527 | 894,029 |
| | | 1,627,071 | 894,387 |
| Other creditors - related parties | 20.2 | 305 | 343 |
| Accrued liabilities | | 697,233 | 616,040 |
| Contract liabilities | 20.3 | 474,484 | 444,848 |
| Employees deposits | | 85,548 | 80,790 |
| Withholding sales tax payable | | 9,671 | 6,989 |
| Withholding income tax payable | | 33,767 | 29,585 |
| Provision for warranty | | 130,000 | 127,696 |
| Retention money payable | | 14,480 | 14,394 |
| Workers' profit participation fund | 20.6 | 47,075 | 11,324 |
| Workers' welfare fund | 20.7 | 14,889 | 22,386 |
| Sales tax payable | | 127,597 | 13,961 |
| Other payables | | 62,075 | 99,415 |
| Payable to employee retirement benefit funds: | | | |
| - Service fund | 20.4 | 101,054 | 573 |
| - Superannuation fund | 20.5 | 71,015 | 2,210 |
| | | 172,069 | 2,783 |
| | | 3,496,264 | 2,364,941 |
| 20.1 This represents unsecured balances due to: | | | |
| Elite Brands Limited | | 5,182 | 11 |
| Packages Limited | | - | 314 |
| Gulab Devi Chest Hospital | | 46 | 33 |
| Liaquat National Hospital | | 316 | - |
| | | 5,544 | 358 |

These are interest free in the normal course of business.

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|---|------------------------------|-----------|
| 20.2 This represents unsecured balances due to: | | | |
| IGI General Insurance Limited | | 305 | 343 |
| 20.3 | This represents advance received from customers for future sale of goods. During the year, the Group has recognized revenue amounting to Rs. 275.72 million (2022: Rs. 153.4 million) out of the contract liability as at 30 June 2022. | | |
| 20.4 | This represents contributory fund maintained by the Company which covers all permanent management employees. Equal monthly contributions are made by the Company at 10% of basic salary. However, it is optional for employees to contribute in service fund. During the period, the Company withdrew an amount of Rs. 125 million from its Service Fund to meet working capital requirements. The withdrawal amount is subject to a markup rate of KIBOR plus 2%. The Company has repaid partial amount of Rs. 25 million from principal amount, however, the accrued markup on the withdrawal is outstanding at the period ended. | | |
| 20.5 | The Company maintains a Superannuation Fund to provide retirement benefits to employees and is managed in accordance with the Company's Superannuation Fund Policy. During the period, the Company withdrew an amount of Rs. 114 million from Fund to meet working capital requirements. The withdrawal is subject to a markup rate of KIBOR plus 2%. All principal and markup amount is outstanding as at period ended. | | |
| 20.6 Workers' profit participation fund | | | |
| Balance as at 01 July | | 11,329 | 129,877 |
| Interest on funds unutilized | | 2,446 | 9,065 |
| Payments during the year | | (17,105) | (107,816) |
| Payments to employees on behalf of WPPF | | (2,705) | (24,073) |
| Reversal for the prior year | | (21,228) | (17,930) |
| Amounts withdrawn from fund | | 65,940 | - |
| Repayments of amount withdrawn | | (16,000) | - |
| Markup on amount withdrawn | | 7,099 | - |
| Charge for the year | | 17,299 | 22,206 |
| Balance as at 30 June | | 47,075 | 11,329 |
| 20.7 Workers' welfare fund | | | |
| Balance as at 01 July | | 22,386 | 67,796 |
| Charge for the year | | 14,889 | 22,387 |
| Prior year adjustment | | (12,670) | (48,326) |
| Paid during the year | 39 | (9,716) | (19,471) |
| Balance as at 30 June | | 14,889 | 22,386 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|-----------------------------|------|------------------------------|----------------|
| 21 ACCRUED MARK-UP | | | |
| Accrued markup / return on: | | | |
| Long term borrowings | | 86,619 | 7,352 |
| Short term borrowings | | 454,013 | 321,855 |
| | | 540,632 | 329,207 |

22 LONG TERM DEPOSITS

These represent interest free deposits received from freight forwarding agencies and other contractors which have been kept in a separate bank account in terms of section 217 of the Companies Act 2017.

23 DEFERRED LIABILITIES - EMPLOYEE RETIREMENT BENEFITS

| | | | |
|---------------------|-----|------------------|----------------|
| Gratuity fund | | 557,623 | 470,993 |
| Superannuation fund | | 545,976 | 415,945 |
| | 231 | 1,103,599 | 886,938 |

| | Note | Gratuity | | Superannuation | |
|---|------|----------------------|----------------|----------------------|----------------|
| | | 2023 | 2022 | 2023 | 2022 |
| | | (Rupees in thousand) | | (Rupees in thousand) | |
| 23.1 Net retirement benefit obligation | | | | | |
| Amounts recognized in the balance sheet are as follows: | | | | | |
| Present value of defined benefit obligation | 23.3 | 648,305 | 564,644 | 613,713 | 529,250 |
| Fair value of plan assets | 23.4 | (90,682) | (93,651) | (67,737) | (113,305) |
| Net retirement benefit obligation | 23.2 | 557,623 | 470,993 | 545,976 | 415,945 |
| 23.2 Movement in net obligation | | | | | |
| Net liability as at 01 July | | 470,993 | 449,008 | 415,945 | 433,973 |
| Charge to statement of profit or loss | | 105,485 | 85,286 | 93,107 | 80,180 |
| Re-measurements chargeable in statement of comprehensive income | | 41,731 | 51,108 | 17,569 | 12,015 |
| Contribution made by the Company | | (60,586) | (114,409) | - | (110,223) |
| Net liability as at 30 June | | 557,623 | 470,993 | 526,621 | 415,945 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Gratuity | | Superannuation | |
|--|----------------------|-----------|----------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | (Rupees in thousand) | | (Rupees in thousand) | |
| 23.3 Movement in the liability for funded defined benefit obligations | | | | |
| Liability for defined benefit obligations as at 01 July | 564,644 | 588,195 | 529,250 | 550,087 |
| Benefits paid by the plan | (60,586) | (139,409) | (37,847) | (110,223) |
| Current service costs | 47,123 | 46,230 | 37,123 | 36,088 |
| Past service costs | - | - | - | 6,286 |
| Interest cost | 70,771 | 51,725 | 67,618 | 49,417 |
| Benefits due but not paid (payables) | (461) | (2,472) | - | (1,620) |
| | 621,491 | 544,269 | 596,144 | 530,035 |
| Re-measurements on obligation: | | | | |
| Actuarial losses on present value | | | | |
| -Changes in demographic assumptions | 1,427 | 1,430 | 1,413 | 1,416 |
| -Experience adjustments | 25,387 | 18,945 | 16,156 | (2,201) |
| | 26,814 | 20,375 | 17,569 | (785) |
| Present value of defined benefit obligations as at 30 June | 648,305 | 564,644 | 613,713 | 529,250 |
| 23.4 Movement in fair value of plan assets | | | | |
| Fair value of plan assets as at 01 July | 41,032 | 139,187 | 23,651 | 116,114 |
| Contributions into the plan | 2,105 | 114,409 | - | 110,223 |
| Benefits paid by the plan | 4,762 | (139,409) | 7,151 | (110,223) |
| Interest income on plan assets | 4,116 | 12,669 | - | 11,611 |
| Benefits due but not paid | 36,000 | (2,472) | 33,000 | (1,620) |
| Return on plan assets | 3,128 | - | 3,935 | - |
| excluding interest income | (461) | (30,733) | - | (12,800) |
| Fair value of plan assets as at 30 June | 90,682 | 93,651 | 67,737 | 113,305 |
| 23.5 Plan assets | | | | |
| Plan assets comprise: | | | | |
| Listed securities | 45,803 | 45,803 | 24,990 | 24,990 |
| Unlisted securities | 6,246 | 6,246 | 1,730 | 1,730 |
| Deposits with banks | 2,979 | 2,979 | 54,364 | 54,364 |
| Investment in mutual funds | 4,628 | 4,628 | - | - |
| Government securities | 36,000 | 36,000 | 33,000 | 33,000 |
| Others | 467 | 467 | 841 | 841 |
| Less: Payables | (2,472) | (2,472) | (1,620) | (1,620) |
| | 93,651 | 93,651 | 113,305 | 113,305 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

Before making any investment decision, an Asset-Liability matching study is performed by the Board of Trustees of the funds to evaluate the merits of strategic investments. Risk analysis of each category is done to analyze the impacts of the interest rate risk, currency risk and longevity risk.

23.6 Profit or loss includes the following in respect of retirement benefits:

| | Gratuity | | Superannuation | |
|--|----------------------|-----------------|----------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (Rupees in thousand) | | (Rupees in thousand) | |
| Interest cost | 70,771 | 51,725 | 67,618 | 49,417 |
| Current service cost | 47,123 | 46,230 | 37,123 | 36,088 |
| Past service costs | - | - | - | 6,286 |
| Interest income on plan assets | (12,409) | (12,669) | (11,634) | (11,611) |
| Total, included in salaries and wages | 105,485 | 85,286 | 93,107 | 80,180 |
| 23.7 Actual return on plan assets | 3,655 | (18,064) | - | (1,189) |
| 23.8 Actuarial losses recognized directly in other comprehensive income | | | | |
| Cumulative amount at 01 July | (356,591) | (305,483) | (370,341) | (358,326) |
| Losses recognized during the year | (41,731) | (51,108) | (23,771) | (12,015) |
| Cumulative amount at 30 June | (398,322) | (356,591) | (394,112) | (370,341) |

The Company expects to pay Rs. 131 million in contributions to gratuity fund during the year ending 30 June 2024.

The Company expects to pay Rs. 109 million in contributions to superannuation fund during the year ending 30 June 2023.

23.9 Significant actuarial assumptions used for valuation of these plans are as follows:

| | 2023 | | 2022 | |
|---|-------------------------|-------------------------------|-------------------------|-------------------------------|
| | Gratuity fund per annum | Superannuation fund per annum | Gratuity fund per annum | Superannuation fund per annum |
| Discount rate used for profit and loss charge | 13.25% | 13.25% | 10.00% | 10.00% |
| Discount rate used for year-end obligation | 16.25% | 16.25% | 13.25% | 13.25% |
| Expected rates of salary increase | 15.25% | 15.25% | 12.25% | 12.25% |
| Expected rates of return on plan assets | 16.25% | 16.25% | 13.25% | 13.25% |

Mortality rate

The rates assumed were based on the SLIC 2001 - 2005.

23.9.1 Weighted average duration of the defined benefit obligation is 9 years for gratuity and superannuation plans.

Notes to the consolidated financial statements

For the year ended 30 June 2023

24 EMPLOYEE STOCK OPTION SCHEME

The Company has granted share options to its employees under the Treet Corporation Limited - Employee Stock Options Scheme, 2015 ("the scheme") as approved by the shareholders in their annual general meeting held on 31 October 2014 and the SECP vide its letter No. SMD/CIW/ESOS/02/2014 dated 19 February 2015.

Under the Scheme, the Company may grant options to eligible employees selected by the Board Compensation Committee, from time to time, which shall not at any time exceed 15% of the paid up capital of the Company (as increased from time to time). The option entitles an employee to purchase shares at an exercise prices determined in accordance with the mechanism defined in the scheme at the date of grant. The aggregate number of shares for all options to be granted under the scheme to any single eligible employee shall not, at any time, exceed 3% of the paid up capital of the Company (as increased from time to time). Further the grant of options in anyone calendar year exceeding 3% of the paid up capital shall require approval of the shareholders. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

The options will have a vesting period of one year and an exercise period of one year from the date options are vested as laid down in the scheme. These options shall be exercisable after completion of vesting period i.e. one year from date of grant. Upon vesting, employees are eligible to apply and secure allotment of Company's shares at an exercise price determined on the date of grant of options. Option price shall be payable by the employee on the exercise of options in full or part. The options will lapse after completion of two years of grant date if not exercised.

As of June 30, 2022, the total number of outstanding options were 1,198 thousand, having a maturity date up to October 24, 2022. No new options were granted or forfeited during the year. Consequently, the outstanding options lapsed within the current period.

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|-----------|
| 25 LONG TERM FINANCES - SECURED | | | |
| <i>Holding Company:</i> | | | |
| Meezan Bank Limited - Diminishing Musharika | 25.1 | 29,101 | 58,202 |
| Habib Bank Limited - Term Finance Loan | 25.2 | - | 56,442 |
| Pakistan Kuwait Investment Company - Term Finance | 25.3 | 750,000 | 750,000 |
| The Bank of Punjab - Syndicate Loan | 25.4 | 1,500,000 | - |
| <i>Subsidiary Company:</i> | | | |
| Bank Islami Limited - Terf Facility | 25.5 | 290,937 | 101,183 |
| Term Finance | 25.6 | 250,000 | 90,360 |
| | | 2,820,038 | 1,056,187 |
| Less: Current portion of long term finances | 18 | (109,406) | (90,498) |
| | | 2,710,632 | 965,689 |

25.1 This represents diminishing Musharika facility amounting to Rs. 29.1 million (2022: 58.2 million), obtained from Meezan Bank Limited during previous years. The tenor of the facility is 4 years inclusive of 1-year grace period. The facility is secured by way of Joint Pari Passu charge over all present and future Plant and machinery of the Company. The loan is repayable in twelve quarterly equal installments (after grace period of 1 Year) amounting to Rs. 7.20 million, commencing from 11 September 2021. The facility carries markup at 3 month kibar + 2% spread per annum. The effective markup rate ranging from 16.83% to 24.08% (2022: 9.40% to 16.83%) per annum, payable quarterly in arrears.

25.2 This represents long term loan facility obtained from Habib Bank Limited with sanctioned limit of Rs. 257.60 million. The Company obtained this term loan / SBP COVID-19 relief facility under "SBP refinance scheme for payment of wages and salaries" introduced by Government of Pakistan in order to prevent entities from laying-off employees during COVID-19 outbreak. The Company obtained Rs. 227.78 million, for paying salaries for the months from April 2020 to June 2020. The facility carries mark-up at the rate of 2% (2022: 2%) per annum payable quarterly in arrears. The loan is secured against first Joint Pari Passu hypothecation charge amounting to Rs. 343.47 million on all present and future plant and machinery of the Company. The loan is repayable in eight equal quarterly installments of Rs. 28.47 million started from 01 January 2021.

Notes to the consolidated financial statements

For the year ended 30 June 2023

The loan has been measured at fair value in accordance with IFRS 9 (Financial Instruments) using market rates at SBP approval dates of each tranche. The difference between fair value of loan and loan proceeds has been recognized as deferred grant as per requirements of IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) and as per Circular 11/2020 issued by the ICAP.

- 25.3 This represents facility amounting to Rs. 750 million, obtained from Pakistan Kuwait Investment Company (Private) Limited during the year for balance sheet re-profiling. The tenor of the facility is 8 years inclusive of 2-year grace period. The facility is secured by way of 1st Joint Pari Passu charge over all present and future Plant and machinery of the Company. The loan is repayable in twenty four quarterly equal installments (after grace period of 2 Year) amounting to Rs. 31.25 million, commencing from March 22, 2024. The facility carries markup at 3 month kibar + 1.65% spread per annum. The effective markup rate ranging from 16.23% to 23.38% per annum, payable quarterly in arrears.
- 25.4 This represents syndicate facility comprising of HBL and Bank of Punjab amounting to Rs. 750,000,000 million each i.e Rs. 1,500,000,000 in total. The tenure of this facility is 8 years with 2 years as grace period. The facility is secured by way of first joint parri passu charge over all present and future asset of the company. The loan is repayable in full in 24 Equal Quarterly payments. The reason for availing this facility was Balance Sheet Profiling i.e Reducing the current loan by availing a long term loan. The facility was first disbursed on July 6 2022, with markup charging on the facility at 3 month Kibar + 1.10% spread. The tentative Repayments of the facility amount to Rs.62.5 million. The effective markup rate ranging from 16.44% to 22.99% per annum, payable quarterly in arrears.
- 25.5 This represents long term loan facility obtained from Bank Islami Pakistan Limited of Rs.300 million (2022: Rs. 300 million) under 'Islamic Temporary Economic Refinance Facility' (ITERF). According to the conditions of the ITERF, the Company will use this facility for the retirement of LC established through bank. The facility carries markup @ SBP + 4% p.a. (below market interest) and is secured against lien over asset imported, ranking charge over fixed asset of the Company, corporate guarantee of the Treet Corporation Limited (Parent Company) and personal guarantee of Director. The principal is repayable in quarterly instalments starting from July 2023. The markup on this facility is 5% per annum (2022: 5%).
- 25.6 Term finance facility of Rs. 505 million (2022: Rs. 505 million) has been obtained from Karandaz Pakistan through Bank Alfalah Limited. This loan is secured against first pari passu/ hypothecation charge over all present and future fixed assets of the Company and corporate guarantee of Treet Corporation Limited (Parent Company). This carries markup @ 3 month KIBOR + 0.25 % p.a. The facility will be repaid in quarterly instalments beginning from 17 April 2026 and ending on 29 December 2028. The markup on this facility ranges from 15.6% to 22.3% (2022: 7.7% to 12.14%) per annum.

| | Note | 2023 (Rupees in thousand) | 2022 |
|------------------------------|------|------------------------------|---------|
| 26 GOVERNMENT GRANT | | | |
| Balance as at 01 July | | 11,488 | 15,929 |
| Recognized during the year | 25.2 | 50,267 | 2,402 |
| Amortization during the year | | (504) | (6,843) |
| Balance as at 30 June | | 61,251 | 11,488 |
| Current portion | | (14,947) | (3,205) |
| Non-current portion | | 46,304 | 8,283 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | | 2023 (Rupees in thousand) | 2022 |
|-----------|--|------------------------------|--------------------|
| 27 | DEFERRED TAXATION | (506,173) | (629,770) |
| | 27.1 | | |
| | Deferred tax liability arising in respect of the following items: | | |
| | Taxable temporary differences on: | | |
| | - Accelerated tax depreciation | (1,262,999) | (852,045) |
| | - Surplus on revaluation of depreciable assets | (325,559) | (656,568) |
| | - Group share of profits and revaluation surplus of associates | (37,740) | (71,460) |
| | - Right of use asset | (3,645) | (3,827) |
| | | (1,629,943) | (1,583,900) |
| | Deductible temporary differences on: | | |
| | - Employee retirement benefits | 201,363 | 155,126 |
| | - Provision for doubtful debts | 3,292 | 24,817 |
| | - Provision for slow moving/obsolete stores | 1,602 | 1,683 |
| | - Provision for warranty | 37,700 | 37,032 |
| | - Impairment allowance on ECL | 130 | - |
| | - Minimum tax | - | 10,559 |
| | - Unused tax losses | 874,996 | 817,087 |
| | - Liability against right of use asset | 4,687 | 11,789 |
| | | 1,123,770 | 1,058,093 |
| | - Deferred tax asset not recognized in the profit and loss account of subsidiaries | - | (103,963) |
| | | (506,173) | (629,770) |

27.1.1 This represents deferred tax asset on unused tax losses amounting to Rs. 7,810.57 million (2022: Rs. 7,810.57 million). This includes business loss accounting to Rs. 5,282.36 million (2022: Rs. 5,282.36 million) which can be carried forward for six preceding tax years, from the tax year to which it relates, as per requirements of Income Tax Ordinance, 2001. This also includes depreciation loss of Rs. 2,528.21 million (2022: Rs. 2,528.21 million) which is available for infinite period.

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | 2023 | 2022 |
|---|----------------------|-----------|
| | (Rupees in thousand) | |
| 27.1.2 Movement in deferred tax liability is as follows: | | |
| Balance as at 01 July | (629,770) | (665,124) |
| Recognized in statement of profit or loss: | | |
| - Accelerated tax depreciation | (357,987) | (125,882) |
| - Provision for slow moving/obsolete stores | 81 | 5 |
| - Right of use asset | 182 | 867 |
| - Surplus on revaluation of buildings | 331,009 | 28,642 |
| - Share of loss of associate | - | 227 |
| - Provision for warranties | 668 | (9,373) |
| - Provision for WPPF | - | (20,089) |
| - Unused tax losses | 57,909 | 159,893 |
| - Provision for doubtful debts | (21,525) | 6,793 |
| - Liability against right of use asset | (272) | (8,966) |
| - Related deferred tax asset related to revaluation surplus arisen during the year | 7,102 | - |
| - Minimum tax | - | (2,430) |
| | 17,167 | 29,687 |
| Recognized in other comprehensive income / equity: | | |
| - Re-measurement of employee retirement benefits recognized | 46,237 | 31,442 |
| - Share of other comprehensive income of associate | - | 384 |
| | 46,237 | 31,826 |
| Effect of change in tax rate on account of surplus on revaluation of depreciable assets | 60,193 | (26,159) |
| Balance as at 30 June | (506,173) | (629,770) |
| 28 LEASE LIABILITY | 19,971 | 32,367 |
| Liability against right of use asset | 35,958 | 46,205 |
| Current portion of liability against right of use asset | (15,987) | (13,838) |
| | 19,971 | 32,367 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | 2023 (Rupees in thousand) | 2022 |
|--|------------------------------|----------|
| Maturity analysis of liability against right of use asset is as follows: | | |
| Less than one year | 19,364 | 17,727 |
| One to five years | 21,765 | 36,225 |
| More than five years | - | - |
| Total undiscounted liability against right of use asset as at 30 June | 41,129 | 53,952 |
| Impact of discounting on liability against right of use asset | (5,171) | (7,747) |
| | 35,958 | 46,205 |
| Movement of liability against right of use liability is as follows: | | |
| Opening balance | 46,205 | 81,334 |
| Liability against right of use asset recognized during the year | 16,266 | 1,309 |
| Interest on unwinding of liability against right of use assets | 5,247 | 4,988 |
| Cancellation of Lease liability | (13,512) | (34,542) |
| Modification of Lease Liability | - | 9,056 |
| Payments during the year | (18,248) | (15,940) |
| | 35,958 | 46,205 |
| Closing balance | 35,958 | 46,205 |

29 CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

Contingencies - The Holding Company

- During previous years, with respect to the tax year 2013, the ACIR passed an order dated 28 February 2019, u/s 122(5A) of Income Tax Ordinance 2001 and created a tax demand of Rs. 10.06 million. The Company paid Rs 1 million (10% of demand), under protest, and recorded the same in advance tax. The Company appealed before the CIR (Appeals-1) which was decided in favor of the Company for majority of the matters.

Being aggrieved, the tax department filed an appeal, dated 22 January 2020, before ATIR which is pending adjudication at the year end. The management and the tax advisor of the Company are confident of favorable outcome of the case; therefore, no provision has been recorded in these unconsolidated financial statements.

- During the previous years, with respect to the tax year 2009, Additional Commissioner Inland Revenue (ACIR) vide order dated 30-06-2015, u/s 122(5A) of Income Tax Ordinance 2001, created an income tax demand of Rs. 15.7 million, where ACIR disallowed addition u/s 111(1)(a) amounting Rs. 20.15 million, adjustment of minimum tax u/s 113 amounting Rs. 3.77 million and allocation of expenses to dividend income.

Being aggrieved the Company filed an appeal before CIR Appeals (CIR-A) which was decided in favor of the Company and case was remanded back to the assessing officer. Being aggrieved, during 2018, the department filed an appeal before ATIR with respect to disallowance of additions u/s 111(1)(a) amounting Rs. 20,159,000 which is pending adjudication at the year end.

ACIR vide order dated 29 June 2019, u/s 124/129 of Income Tax Ordinance 2001, disallowed minimum tax amounting to Rs 3.77 million. Being aggrieved, the Company preferred an appeal before CIR (Appeals), dated 14 October 2019, which was decided in favor of the Company during the year, vide order no. 45, dated 30 November 2020.

Notes to the consolidated financial statements

For the year ended 30 June 2023

The management and the tax advisor of the Company are confident of favorable outcome of the appeal filed by tax department against ATIR; therefore, no provision has been recorded in these unconsolidated financial statements.

- During previous years, with respect to the tax year 2017, Additional Commissioner Inland Revenue (ACIR), passed an order dated 30 November 2018, u/s 122(5A) of Income Tax Ordinance 2001, and created an income tax demand of Rs. 11.48 million. The Company filed an appeal before Commissioner Inland Revenue (Appeals) which was decided in favor of the Company for majority of the matters and case was remanded back to assessing officer. The tax department filed an appeal before ATIR against the order of CIR(A). The Company also preferred an appeal before ATIR on account of difference issues such as proration of profit between local and export sale, disallowance u/s 65B, dividend income allocation etc. Both the counter appeals are pending adjudication at the year end. The management and the tax advisor of the Company are confident of favorable outcome of the case; therefore, no provision has been recorded in these unconsolidated financial statements.
- During previous years, with respect to the tax period from July 2013 to June 2018, ACIR, vide order dated 23 May 2019, created a sales tax demand of Rs. 138.04 million on the contention that the Company has claimed illegal/ inadmissible input sales tax adjustment. Being aggrieved, the Company filed an appeal before Commissioner Inland Revenue (Appeals) which was decided in favor of the Company. The department filed an appeal, dated 9 January 2020, before ATIR which is pending adjudication at the year end. The management and the tax advisor of the Company are confident of favorable outcome of the case; therefore, no provision has been recorded in these unconsolidated financial statements.

During the tax year 2016, the additional Commissioner Inland Revenue invoked provision of Section 122(5A) of the Income Tax Ordinance, 2001 on different Issues such as addition u/s 111(1)(d), addition u/s 111(1)(b), allocation of expenses between export and local sale, inter corporate dividend, profit on sales of fixed assets, disposal of investment property addition u/s 111(1)(c), disallowed statutory depreciation allowance, disallowed initial allowance, amortisation of advertisement expenses etc and passed an order dated 31-03-2022 by raising a tax demand amounting to Rs 125,602,103. An appeal has been filed by the entity before the CIR, Lahore on 23-April-2022

The company's first appeal was accepted almost in total by the Commissioner Inland Revenue(Appeals), thereby deleting as well as sending back a couple of add backs for re-visiting his decision, whereby the whole tax demand mentioned above has been deleted. The additional Commissioner Inland Revenue went into second appeal before Appellate Tribunal Inland Revenue against the order of Commissioner Inland Revenue(Appeals), which is still pending in court.

A favorable outcome is expected in line with the decision of Commissioner Inland Revenue (Appeals).

- During previous year, with respect to the tax year 2015, ACIR passed an order u/s 122(5A) dated 21 April 2021 and created an income tax demand of Rs. 25.35 million. The Company has paid Rs 2.53 million (10% of demand), under protest, and recorded the same in advance tax. Being aggrieved the Company has appealed before CIR(A) which is pending adjudication at the year end.
- Being aggrieved with the appellate order the company in the current period filed second appeal before the learned ATIR on 29-April-2022 contesting the portion of annulment which is pending adjudication at this point in time. However, the department were also filed second appeal on account of couple of add backs where adequate relief was not allowed in the first appeal.

Both of the counter appeals are still pending in the ATIR till the year end. Management and tax advisor of the company are confident of favourable outcome of the case.

- During the previous years, with respect to the tax period from July 2016 to June 2018, Additional Commissioner-III, Punjab Revenue Authority, Lahore, vide order dated 18 December 2020, created a Punjab sales tax demand of Rs. 175.15 million along with default surcharge and penalty of Rs. 141.82 million, on the contention that the Company has received services taxable services but failed to withhold and deposit the due tax as per provisions of the Punjab Sales Tax on Services (Withholding) Rules, 2015.

Notes to the consolidated financial statements

For the year ended 30 June 2023

Being aggrieved, the Company has filed an appeal, dated 22 February 2021, before Commissioner (Appeals), Punjab Revenue Authority, Lahore which has been heard on 02 June 2021 and 01 July 2021 and decision is awaited. The management and the tax advisor of the Company are confident of favorable outcome of the case; therefore, no provision has been recorded in these unconsolidated financial statements.

Contingencies - First Treet Manufacturing Modaraba

- For the tax period July 2011 to June 2013 a sale tax demand of Rs. 9,526,018 along with default surcharge of Rs. 35,463 and penalty amounting to Rs. 508,485 was created by ACIR, Audit Unit-03, Zone-VI, CRTO, Lahore after conducting audit u/s 25 of the Sales Tax Act, 1990 mainly on the issue of inadmissibility of input sales tax. Against this order, the Modaraba filed appeal before the Commissioner Inland Revenue (Appeals), Zone-II, Lahore and the learned CIR-Appeals has decided the case in favor of the Modaraba. Against this order, the department went into an appeal before ATIR, pending adjudication until the year end.
- For the tax period July 2017 to June 2018 a sale tax demand of Rs. 14,753,014 along with penalty of Rs. 855,726 (aggregating to Rs. 15,608,740) was created by Deputy Commissioner Inland Revenue, Unit-08, Audit-01, LTO, Lahore after conducting audit u/s 25 of the Sales Tax Act, 1990 mainly on the issue of inadmissible claim of input tax Rs. 13,574,483, non-compliance of 73 etc. Against this order the Modaraba filed appeal before the CIR (Appeals), Zone-1, Lahore on 26-05-2022 and the appeal was heard on 01-08-2022 and CIR Appeals has remanded the case back for re-adjudication. Against this order, the department filed a second appeal before the ATIR on 29-12-2022 which is pending adjudication at the year end. As per the opinion of legal advisor of the Modaraba, a favourable outcome is expected.
- For the the tax period April 2016 to April 2019, a refund of input sales tax refund of Rs. 43,412,131 has been rejected alongwith default surcharge (to be calculated at the time of payment/ recovery) and penalty amounting to Rs. 2,331,682 by DCIR, Unit-8, Audit-01, LTU, Lahore after conducting post refund audit in terms of rule 36 of the sales tax rules, 2006. Against this order the Modaraba filed an appeal before the commissioner inland revenue (appeals), Zone-01, Lahore on 02-09-2022. As per the opinion of legal advisor of the Modaraba, a favourable outcome is expected.

Based on the opinion of tax advisor of the Modaraba's legal counsel, management is expecting a favorable outcome of the above cases. Therefore, no provision in this regard has been recognized in these consolidated financial statements.

Contingencies - Treet Holdings Limited

- During previous years, with respect to tax year 2012, the Additional Commissioner Inland Revenue (ACIR) passed an order u/s 122(5A) on different issues i.e. allocation of expenses between normal income and presumptive income, u/s 34(3), bad debts, exchange loss, payment of WWF & dividend income and created an income tax demand of Rs. 1.29 million. Being aggrieved, the Company filed an appeal, dated 09 August 2018, before the Commissioner Inland Revenue (Appeals), Zone-1, Lahore and the learned CIR -Appeals has remanded the case back for re-adjudication.

Against this order, company filed second appeal before the ATIR on January 21, 2022 on the issue of remand back which is still pending adjudication. The tax advisor of the company are confident of favourable outcome.

- During previous years, with respect to tax year 2013, the Additional Commissioner Inland Revenue (ACIR), passed an order u/s 122(5A) on different issues i.e. u/s 29, bad debts, capital gains on securities, exchange loss & sale / transfer of stock and created an income tax demand of Rs. 17.28 million. Being aggrieved, the Company filed an appeal, dated 9 August 2018, before the Commissioner Inland Revenue (Appeals), Zone-1, Lahore. During the year favourable decision was given on November 24, 2021 and the case was remaded back to the department. Furthermore, the company filed an Appeal before the commissioner Inland Revenue (Appeals), Zone-1, Lahore and the learned CIR-Appeals has remanded the case back for re-adjudication.

Notes to the consolidated financial statements

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

- During previous years, with respect to tax year 2012, the Assistant Commissioner Inland Revenue, Enforcement-06, Zone- 1, Large Tax Payer Unit, Lahore passed an order u/s 161/205 and arbitrarily created an income tax demand of Rs. 1.098 million. Being aggrieved, the Company filed an appeal, dated 28 June 2018, before the Commissioner Inland Revenue (Appeals), Zone-1, Lahore and the learned CIR appeals has remanded the case back for re-adjudication.

Against this order, company filed second appeal before the ATIR on January 19, 2022 on the issues of remand back which is pending adjudication at year end. Company and the tax advisor expect a favourable outcome of the case.

- For the tax year 2013, the Assistant Commissioner Inland Revenue, Enforcement-06, Zone- 1, Large Tax Payer Unit, Lahore passed an order u/s 161/205 and arbitrarily created an income tax demand of Rs. 1.126 million. Being aggrieved, the Company filed an appeal, dated 05 December 2018, before the Commissioner Inland Revenue (Appeals), Zone-1, Lahore which was remanded back for re-adjudication.

Against this order company filed second appeal before the ATIR on 19 January 2022 on issue of remand back which is pending adjudication at year end. The Company has already paid the demand raised under protest to government exchequer and recorded the same in advance income tax. The management and the tax advisor of the Company are confident of favorable outcome of the case; therefore, no provision has been recorded in these financial statements.

- During previous years, with respect to tax year 2014, the Assistant Commissioner Inland Revenue, Enforcement-06, Zone- 1, Large Tax Payer Unit, Lahore passed an order u/s 161/205 and arbitrarily created an income tax demand of Rs. 1.350 million. Being aggrieved, the Company filed an appeal, dated 01 February 2019, before the Commissioner Inland Revenue (Appeals), Zone-1, Lahore which was remanded back for re-adjudication.

Against this order company filed second appeal before the ATIR on 19 January 2022 on issue of remand back which is pending adjudication at year end. The Company has already paid the demand raised under protest to government exchequer and recorded the same in advance income tax. The management and the tax advisor of the Company are confident of favorable outcome of the case; therefore, no provision has been recorded in these financial statements.

- During previous years, with respect to tax year 2009, the Deputy Commissioner Inland Revenue, Enforcement Unit-04 & 08, Zone- 1, Large Tax Payer Unit, Lahore passed an order u/s 161/205 and arbitrarily created an income tax demand of Rs. 34.65 million. Against this order, the Company filed an appeal before the commissioner inland revenue, Appeals-1, Lahore and the learned CIR-Appeals has accepted all the grounds taken before him except discount of Rs. 22.87 million given to wholesalers and dealers having tax impact of Rs. 2.29 million.

The company filed second appeal before the ATIR on 10 January 2014 and case is pending adjudication at year end. The management and company are of the view that a favourable outcome is expected. The Company has already paid the demand raised under protest to government exchequer and recorded the same in advance income tax. The management and the tax advisor of the Company are confident of favorable outcome of the case; therefore, no provision has been recorded in these financial statements.

29.2 Commitments

- Outstanding letters of credit as at 30 June 2023 amounted to Rs. 617,861 million (2022: Rs. 868.63 million).
- Outstanding capital commitments as at 30 June 2023 amounted to Rs. 62.766 million (2022: Rs. 174.98 million).

Notes to the consolidated financial statements

For the year ended 30 June 2023

- Guarantees given by banks on behalf of the Holding Company in favour of Sui Northern Gas Pipeline Limited and Sui Southern Gas Limited as at 30 June 2023, amounts to Rs. 5 million and Rs. 2.4 million respectively (2022: Rs. 7.4 million).
- Guarantees given by banks on behalf of the Holding Company in favour of Collector of Customs as at 30 June 2023, amounts to Rs. 13.2 million (2022: Rs. 13.2 million).
- Guarantees given by banks on behalf of the holding Company in favour of Yde Sa (Smc-private) Limited as at 30 June 2023, amounts to Rs. 1.85 million (2022: Nil).
- Bank guarantees given on behalf of Renacon Pharma Limited and First Treet Manufacturing Modaraba as at June 30, 2023 amounts to Rs. 5.17 million (2022: Rs. 4.90 million) and Rs. 5,817 million (2022: Nil). The bank guarantees confirmed in the name of First Treet Manufacturing Modaraba will be transferred from First Treet Manufacturing Modaraba to Treet Battery Limited after the completion of due process
- Guarantees given by the Holding Company to various financial institutions on behalf of First Treet Manufacturing Modaraba and Renacon Pharma Limited as at 30 June 2022 amounts to Rs. 2,758 million (2021: Rs. 2,758 million) and Rs. 444 million (2021: Rs. 444 million) respectively. These guarantees carry commission at the rate of 0.02% (2021: 0.02%) per annum, payable annually in arrears.
- Other guarantees given by group companies as at June 30, 2022 amounts to Rs. 29.25 million.

30 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| | 2023 (Number of shares) | 2022 | 2023 (Rupees in thousand) | 2022 |
|--|----------------------------|-------------|------------------------------|-----------|
| Ordinary shares of Rs. 10 each fully paid-up in cash | 89,793,463 | 89,793,463 | 897,935 | 897,935 |
| Ordinary shares of Rs. 10 each issued on conversion of PTCs | 22,006,165 | 22,006,165 | 220,061 | 220,061 |
| Ordinary shares of Rs. 10 each fully issued as bonus shares | 52,420,143 | 52,420,143 | 524,201 | 524,201 |
| Ordinary shares of Rs. 10 each issued against employee share option scheme | 14,501,351 | 14,501,351 | 145,014 | 145,014 |
| | 178,721,122 | 178,721,122 | 1,787,211 | 1,787,211 |
| 30.1 Reconciliation of number of shares | | | | |
| At 01 July | | | 1,787,211 | 1,748,343 |
| Issued against employee share option scheme | | 30.2 | - | 38,868 |
| At 30 June | | | 1,787,211 | 1,787,211 |

30.2 This represents, ordinary shares issued to eligible employees by the Company in previous period, under the terms of the scheme as disclosed in note 28 to these unconsolidated financial statements. Exercise price for the issuance of shares was 24.34.

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|-------|------------------------------|-----------|
| 31 RESERVES | | | |
| Capital reserves | 311 | 5,629,281 | 5,629,281 |
| General reserves | | 266,400 | 266,400 |
| | | 5,895,681 | 5,895,681 |
| 31.1 Capital reserves | | | |
| Excess of net worth over purchase consideration of assets of Wazir Ali Industries Limited | | 629 | 629 |
| Capital reserve of associate | | 212,184 | 212,184 |
| Share premium | 311.1 | 4,904,527 | 4,904,527 |
| Statutory reserves | 311.2 | 511,941 | 511,941 |
| | | 5,629,281 | 5,629,281 |

31.1.1 This reserve can be utilized by the Group only for the purposes specified under section 81(2) of the Companies Act, 2017.

31.1.2 This represents profit set aside in compliance with the requirements of Prudential Regulations for Modaraba issued by the Securities and Exchange Commission of Pakistan and is not available for distribution.

32 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX

| | | | |
|--|------|------------------|-----------|
| Surplus attributed to: | | | |
| Property, plant and equipment | | 6,492,196 | 6,568,659 |
| Surplus on revaluation of property, plant and equipment as at 01 July | | 7,186,674 | 7,470,223 |
| Surplus transferred to equity on account of incremental depreciation charged during the year - net of deferred tax | 32.1 | (76,463) | (109,957) |
| - Related deferred tax liability | | (45,957) | (28,642) |
| Realized on disposal of assets during the year | 32.2 | - | (144,950) |
| | | (122,420) | (283,549) |
| Revaluation surplus as at 30 June | | 7,064,254 | 7,186,674 |
| Related deferred tax liability: | | | |
| - On revaluation as at 01 July | | (618,015) | (672,816) |
| - on account of incremental depreciation charged during the year | | 45,957 | 28,642 |
| - tax rate adjustment | | - | 26,159 |
| | | (572,058) | (618,015) |
| Surplus on revaluation of property, plant and equipment as at 30 June | 32.3 | 6,492,196 | 6,568,659 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | 2023 (Rupees in thousand) | 2022 |
|---|------------------------------|------------------|
| 32.1 Charge of incremental depreciation for the year net of tax attributable to: | | |
| Owners of the Group | (76,301) | (110,495) |
| Non-controlling interests | (162) | 538 |
| | (76,463) | (109,957) |
| 32.2 Realized on disposal of assets during the year | | |
| Owners of the Group | - | (144,950) |
| Non-controlling interests | - | (538) |
| | - | (145,488) |
| 32.3 Balance as at 30 June attributable to: | | |
| Owners of the Group | 6,419,059 | 6,495,360 |
| Non-controlling interests | 73,137 | 73,299 |
| | 6,492,196 | 6,568,659 |

32.4 Land, buildings and plant and machinery had been revalued last year on 30 June 2021 by M/s Medallion (Pvt) Limited, an independent valuer not connected with the Group and approved by Pakistan Banks' Association (PBA) resulting in a surplus of Rs. 2,305.34 million on plant and machinery and increase in surplus of land and building, amounting to Rs. 647.88 million and Rs. 227.27 million respectively. The basis of revaluation for items of these operating fixed assets were as follows:

Freehold land

Fair market value of freehold land was assessed through inquiries to real estate agents and property dealers in near vicinity of freehold land and neighbouring properties, which were recently sold or purchased to determine a reasonable selling/buying price.

Buildings

Fair market value of buildings was assessed according to the observations made by valuer on the basis of existing outlook, appearance, face value, individual merits, class and type of construction, quality and standard of material used for construction and by applying suitable price adjustments.

Plant and machinery

Suppliers and different machinery consultants in Pakistan and abroad were contacted to collect information regarding current prices of comparable items of plant and machinery to determine current replacement value. Fair depreciation factor for each item is applied according to their physical condition, usage and maintenance.

Notes to the consolidated financial statements

For the year ended 30 June 2023

33 NON-CONTROLLING INTEREST

33.1 Group entities

The following table summarizes the information relating to the Group's subsidiaries that have Non Controlling Interest (NCI):

| 30 June 2023 Amount in Rupees | Treet Battery Limited | First Treet Manufacturing Modaraba | Renacon Pharma Limited |
|--|--------------------------------------|---|---------------------------------------|
| NCI percentage | 0.69% | 0.68% | 44.14% |
| Non current assets | 7,576,369 | 714,755 | 1,264,822 |
| Current assets | 1,748,293 | 2,991,001 | 697,851 |
| Non-current liabilities | 156,309 | 87,584 | 569,436 |
| Current liabilities | 7,857,819 | 624,323 | 687,732 |
| Net assets | 1,310,534 | 2,993,849 | 705,505 |
| Carrying amount of NCI | 9,029 | 20,291 | 311,409 |
| Revenue - net | 2,040,584 | 3,911,423 | 1,066,912 |
| (Loss) / profit after taxation | 57,991 | (126,388) | 66,920 |
| Other comprehensive income | - | - | - |
| Total comprehensive income | 57,991 | (126,388) | 66,920 |
| Total comprehensive (loss) / income allocated to NCI | 400 | (857) | 29,538 |
| Net cash flows used in operating activities | (249,295) | (983,750) | 34,245 |
| Net cash flows (used in) / generated from investing activities | (15,736) | (131,004) | (422,419) |
| Net cash flows generated from financing activities | 288,807 | 943,031 | 369,607 |
| Net decrease in cash and cash equivalents | 23,776 | (171,723) | (18,567) |

Note **2023** 2022
(Rupees in thousand)

| 34 REVENUE - NET | | 2023 | 2022 |
|---|------|----------------------|------------|
| | | (Rupees in thousand) | |
| Blades and trading income | 34.1 | 10,173,875 | 7,423,880 |
| Soaps | 34.2 | 988,187 | 489,760 |
| Corrugated boxes | 34.3 | 2,830,431 | 2,227,652 |
| Bikes | 34.4 | 45,406 | 51,376 |
| Battery | 34.5 | 8,247,903 | 4,881,872 |
| Hemodialysis concentrates (Pharmaceutical products) | 34.6 | 1,066,912 | 715,383 |
| Services of THRM | 34.7 | - | - |
| | | 23,352,714 | 15,789,923 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | 2023 | 2022 |
|---------------------------------------|----------------------|------------------|
| | (Rupees in thousand) | |
| 34.1 Blades and trading income | | |
| Trading income-battery | | |
| Sale of batteries - gross | - | 18,757 |
| Less: Sales tax | - | (893) |
| | - | 17,864 |
| Trading income | | |
| Sale of Chemical - gross | 10,628 | 5,672 |
| Less: Sales tax | (1,649) | (824) |
| Trade discount | - | (9) |
| | 8,979 | 4,839 |
| | 10,173,875 | 7,423,880 |
| 34.2 Soaps | | |
| Local Sales | 1,198,563 | 590,169 |
| Less: Sales tax | (210,237) | (100,017) |
| Trade discount | (139) | (392) |
| | (210,376) | (100,409) |
| | 988,187 | 489,760 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | 2023 | 2022 |
|---|----------------------|-------------|
| | (Rupees in thousand) | |
| 34.3 Corrugated boxes | | |
| Local Sales | 3,326,674 | 2,620,234 |
| Less: Sales tax | (496,061) | (392,340) |
| Trade discount | (182) | (242) |
| | (496,243) | (392,582) |
| | 2,830,431 | 2,227,652 |
| 34.4 Bikes | | |
| Local Sales | 46,088 | 61,745 |
| Less: Sales tax | - | (10,186) |
| Trade discount | (682) | (183) |
| | (682) | (10,369) |
| | 45,406 | 51,376 |
| 34.5 Battery | | |
| Local sales | 10,293,261 | 6,153,927 |
| Less: Sales tax | (1,692,860) | (1,017,756) |
| Trade discount | (352,498) | (254,299) |
| | (2,045,358) | (1,272,055) |
| | 8,247,903 | 4,881,872 |
| 34.6 Hemodialysis concentrates (Pharmaceutical products) | | |
| Export sales | 17,060 | 54,178 |
| Local sales | 1,051,476 | 661,205 |
| Less: Trade discount | (1,624) | - |
| | 1,049,852 | 661,205 |
| | 1,066,912 | 715,383 |
| 34.7 Services of THRM | | |
| Local sales | 4,320 | 4,320 |
| Less: Sales tax | (4,320) | (4,320) |
| | - | - |

Notes to the consolidated financial statements

For the year ended 30 June 2023

34.3 Disaggregation of Revenue

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service line and timing of revenue recognition.

| | Revenue in thousands | | | | | | | | | | | | | | | | |
|---|-------------------------------|-----------|---------|---------|------------------|-----------|--------|--------|-----------|-----------|---------------------------|---------|-------------------------|------------|------------|------|---|
| | Blades and trading operations | | Soap | | Corrugated boxes | | Bikes | | Battery | | Hemodialysis concentrates | | Human resource services | | Total | | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Primary Geographical Markets | | | | | | | | | | | | | | | | | |
| Asia | 9,882,674 | 7,241,069 | 988,187 | 489,760 | 2,830,431 | 2,227,652 | 45,406 | 51,376 | 8,247,903 | 4,881,872 | 1,066,912 | 715,383 | - | 23,061,513 | 15,607,112 | | |
| Africa | 84,156 | 68,711 | - | - | - | - | - | - | - | - | - | - | - | 84,156 | 68,711 | | |
| Europe | 54,897 | 53,681 | - | - | - | - | - | - | - | - | - | - | - | 54,897 | 53,681 | | |
| US | 152,148 | 60,368 | - | - | - | - | - | - | - | - | - | - | - | 152,148 | 60,368 | | |
| Australia | - | 51 | - | - | - | - | - | - | - | - | - | - | - | - | 51 | | |
| | 10,173,875 | 7,423,880 | 988,187 | 489,760 | 2,830,431 | 2,227,652 | 45,406 | 51,376 | 8,247,903 | 4,881,872 | 1,066,912 | 715,383 | - | 23,352,714 | 15,789,923 | | |
| Major Products / Service Lines | | | | | | | | | | | | | | | | | |
| Blades and trading operations | 10,173,875 | 7,423,880 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Soap | - | - | 988,187 | 489,760 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Corrugated boxes | - | - | - | - | 2,830,431 | 2,227,652 | - | - | - | - | - | - | - | - | - | - | - |
| Bikes | - | - | - | - | - | - | 45,406 | 51,376 | - | - | - | - | - | - | - | - | - |
| Battery | - | - | - | - | - | - | - | - | 8,247,903 | 4,881,872 | - | - | - | - | - | - | - |
| Hemodialysis concentrates | - | - | - | - | - | - | - | - | - | - | 1,066,912 | 715,383 | - | - | - | - | - |
| Human resource services | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 10,173,875 | 7,423,880 | 988,187 | 489,760 | 2,830,431 | 2,227,652 | 45,406 | 51,376 | 8,247,903 | 4,881,872 | 1,066,912 | 715,383 | - | 23,352,714 | 15,789,923 | | |
| Timing of revenue recognition | | | | | | | | | | | | | | | | | |
| Products transferred at a point in time | 10,173,875 | 7,423,880 | 988,187 | 489,760 | 2,830,431 | 2,227,652 | 45,406 | 51,376 | 8,247,903 | 4,881,872 | 1,066,912 | 715,383 | - | 23,352,714 | 15,789,923 | | |
| Services provided over the time | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 10,173,875 | 7,423,880 | 988,187 | 489,760 | 2,830,431 | 2,227,652 | 45,406 | 51,376 | 8,247,903 | 4,881,872 | 1,066,912 | 715,383 | - | 23,352,714 | 15,789,923 | | |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|--------|------------------------------|-------------------|
| 35 COST OF REVENUE | | | |
| Blades and trading operations | 35.1 | 6,851,968 | 5,115,280 |
| Soaps | 35.2 | 850,883 | 463,651 |
| Corrugated boxes | 35.3 | 2,757,325 | 2,202,873 |
| Bikes | 35.4 | 55,108 | 57,068 |
| Battery | 35.5 | 6,898,579 | 4,717,145 |
| Hemodialysis concentrates (Pharmaceutical products) | 35.6 | 812,781 | 564,848 |
| | | 18,226,644 | 13,120,865 |
| 35.1 Blades and trading operations | | | |
| Raw and packing material consumed | | 4,103,386 | 2,899,329 |
| Stores and spares consumed | | 166,623 | 164,485 |
| Salaries, wages and other benefits | 35.1.1 | 1,481,951 | 1,270,949 |
| Fuel and power | | 656,017 | 427,286 |
| Freight, octroi and handling | | 116,801 | 65,862 |
| Repair and maintenance | | 21,009 | 22,664 |
| Rates and taxes | | 12,994 | 4,982 |
| Insurance | | 42,863 | 47,108 |
| Travelling and conveyance | | 30,756 | 13,885 |
| Printing and stationery | | 14,575 | 10,079 |
| Postage and telephone | | 8,711 | 7,143 |
| Depreciation on property, plant and equipment | 61.3 | 319,996 | 303,091 |
| Others | | 7,199 | 17,483 |
| | | 6,982,881 | 5,254,346 |
| Opening stock of work in process | 13 | 341,213 | 212,652 |
| Closing stock of work in process | | (137,153) | (341,213) |
| Cost of goods manufactured | | 7,186,941 | 5,125,785 |
| Opening stock of finished goods | | 487,110 | 465,885 |
| Finished goods purchased for resale - batteries and chemicals | 13 | - | 10,720 |
| Closing stock of finished goods | | (822,083) | (487,110) |
| | | 6,851,968 | 5,115,280 |

35.1.1 Salaries, wages and other benefits include Rs. 142 million (2022: Rs. 120.9 million) and Rs. 45.8 million (2022: Rs. 41.72 million) in respect of defined benefit schemes and defined contribution schemes respectively.

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|-------|------------------------------|----------|
| 35.2 Soaps | | | |
| Raw and packing material consumed | | 823,741 | 403,876 |
| Stores and spares consumed | | 1,871 | 3,396 |
| Salaries, wages and other benefits | 35.21 | 11,968 | 24,769 |
| Fuel and power | | - | 15,875 |
| Freight and forwarding | | 25,199 | 8,065 |
| Travelling and conveyance | | 874 | 579 |
| Repair and maintenance | | 1,105 | 1,051 |
| Insurance | | 318 | 401 |
| Depreciation on property, plant and equipment | 61.3 | 416 | 3,588 |
| Manufacturing charges | | 40,091 | 3,876 |
| | | 905,583 | 465,476 |
| Opening stock of work-in-process | 13 | - | - |
| Closing stock of work-in-process | | - | - |
| Cost of goods manufactured | | 905,583 | 465,476 |
| Opening stock of finished goods | 13 | 28,198 | 26,373 |
| Closing stock of finished goods | | (82,898) | (28,198) |
| | | 850,883 | 463,651 |

35.2.1 Salaries, wages and other benefits include Rs. 2.545 million (2022: Rs. 0.855 million) in respect of defined benefit and contributions schemes.

| | | | |
|---|-------|------------------|-----------|
| 35.3 Corrugated boxes | | | |
| Raw and packing material consumed | | 2,178,739 | 1,729,657 |
| Stores and spares consumed | | 41,879 | 37,680 |
| Salaries, wages and other benefits | 35.31 | 203,713 | 193,888 |
| Fuel and power | | 155,912 | 115,156 |
| Freight and forwarding | | 97,035 | 68,855 |
| Repair and maintenance | | 40,338 | 28,164 |
| Rates and taxes | | 855 | 766 |
| Insurance | | 3,499 | 3,784 |
| Travelling and conveyance | | 6,388 | 3,967 |
| Depreciation on property, plant and equipment | 61.3 | 33,482 | 28,612 |
| Other expenses | | 14,433 | 7,298 |
| | | 2,776,274 | 2,217,827 |
| Opening stock of work in process | | 7,975 | 7,629 |
| Closing stock of work in process | 13 | (11,197) | (7,975) |
| Cost of goods manufactured | | 2,773,053 | 2,217,481 |
| Opening stock of finished goods | | 22,941 | 8,333 |
| Closing stock of finished goods | 13 | (38,669) | (22,941) |
| | | 2,757,325 | 2,202,873 |

35.3.1 Salaries, wages and other benefits include Rs. 15.583 million (2022: Rs. 5.977 million) in respect of defined benefit and contributions schemes.

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|--------|------------------------------|---------|
| 35.4 Bikes | | | |
| Raw and packing material consumed | | 43,173 | 42,736 |
| Carriage inward | | 38 | 415 |
| Salaries, wages and other benefits | 35.4.1 | 9,594 | 9,447 |
| Service charges | | - | 37 |
| Repair and maintenance | | 104 | 118 |
| Printing and stationery | | 75 | 160 |
| Freight and Handling | | 943 | 1,918 |
| Travelling and conveyance | | 133 | 40 |
| Depreciation on property, plant and equipment | 61.3 | 1,811 | 1,810 |
| Other expenses | | 1,677 | 425 |
| | | 57,548 | 57,106 |
| Opening stock of finished goods | 13 | 1,465 | 1,427 |
| Closing stock of finished goods | | (3,905) | (1,465) |
| | | 55,108 | 57,068 |

35.4.1 Salaries, wages and other benefits include Rs. 0.26 million (2022: Rs. 0.57 million) in respect of defined benefit and contributions schemes.

| | | | |
|---|--------|------------------|-----------|
| 35.5 Battery | | | |
| Raw material and packing material consumed | | 5,383,327 | 3,589,306 |
| Stores and spares consumed | | 3,021 | 10,380 |
| Salaries, wages and other benefits | 35.5.1 | 350,869 | 294,638 |
| Fuel and power | | 482,101 | 335,482 |
| Freight and forwarding | | 190,552 | 89,869 |
| Repair and maintenance | | 41,452 | 35,636 |
| Rates and taxes | | 11,102 | 872 |
| Insurance | | 23,576 | 24,004 |
| Traveling and conveyance | | 20,065 | 10,851 |
| Depreciation on property, plant and equipment | 61.3 | 270,628 | 274,432 |
| Other manufacturing expenses | | 12,061 | 23,805 |
| | | 6,788,754 | 4,689,275 |
| Opening stock of work in process | 13 | 332,698 | 348,360 |
| Closing stock of work in process | | (238,743) | (332,698) |
| Cost of goods manufactured | | 6,882,709 | 4,704,937 |
| Opening stock of finished goods | 13 | 64,349 | 76,557 |
| Closing stock of finished goods | | (48,479) | (64,349) |
| | | 6,898,579 | 4,717,145 |

35.5.1 Salaries, wages and other benefits include Rs 3.514 million (2022: Rs. 4.201 million) in respect of defined benefit and contributions schemes.

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|--------|------------------------------|----------|
| 35.6 Hemodialysis concentrates (Pharmaceutical products) | | | |
| Raw material and packing material consumed | 35.61 | 665,295 | 397,479 |
| Salaries wages and other benefits | 35.6.2 | 78,663 | 61,150 |
| Repair and maintenance | | 4,658 | 6,259 |
| Fuel and power | | 14,473 | 7,931 |
| Rates and taxes | | 249 | 12 |
| Printing and stationery | | 1,458 | 1,058 |
| Postage and telephone | | 920 | 1,153 |
| Entertainment | | 365 | 352 |
| Travelling | | 4,644 | 3,142 |
| Insurance | | 1,644 | 2,948 |
| Depreciation on property, plant and equipment | 6.1.3 | 2,187 | 2,561 |
| Other manufacturing expenses | | 47,788 | 45,516 |
| | | 822,344 | 529,561 |
| Opening stock of work in process | 13 | - | 2,815 |
| Closing stock of work in process | | - | - |
| Cost of goods manufactured | | 822,344 | 532,376 |
| | | | |
| Opening stock of finished goods | 13 | 10,242 | 42,714 |
| Closing stock of finished goods | | (19,805) | (10,242) |
| | | 812,781 | 564,848 |

35.6.1 These includes imported items amounting to Rs. 282.863 million (2022: 156.217 million).

35.6.2 Salaries, wages and other benefits include Rs. 1.86 million (2022: Rs. 4.73 million) in respect of defined benefit and contributions schemes.

36 ADMINISTRATIVE EXPENSES

| | | | |
|---|-------|----------------|---------|
| Salaries, wages and other benefits | 36.1 | 559,155 | 430,076 |
| Repairs and maintenance | | 4,462 | 3,314 |
| Rates and taxes | | 852 | 1,242 |
| Traveling and conveyance | | 40,504 | 29,948 |
| Entertainment | | 4,997 | 2,363 |
| Postage and telephone | | 4,368 | 2,926 |
| Printing and stationery | | 19,467 | 13,609 |
| Legal and professional charges | 36.2 | 90,007 | 74,114 |
| Computer expenses | | 24,298 | 15,654 |
| Directors' fee | | 2,825 | 2,820 |
| Subscription | | 2,011 | 1,050 |
| Depreciation on property, plant and equipment | 6.1.3 | 47,091 | 38,250 |
| Depreciation on investment property | | 431 | - |
| Amortization on intangible asset | | 14,791 | 14,767 |
| Other expenses | | 49,971 | 23,538 |
| | | 865,230 | 653,671 |

36.1 Salaries and other benefits include Rs. 20.00 million (2022: Rs. 20.00 million) in respect of defined benefit and contributions schemes.

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|-------------|---|------------------------------|------------------|
| 36.2 | Legal and professional charges include the following in respect of auditors' remuneration: | | |
| | Audit fees of Holding Company | 3,450 | 2,950 |
| | Audit fees of Subsidiary Companies | 3,380 | 2,946 |
| | Half yearly reviews | 1,020 | 900 |
| | Out of pocket expenses | 591 | 493 |
| | Other services | 1,556 | 323 |
| | | 9,997 | 7,612 |
| 37 | DISTRIBUTION COST | | |
| | Salaries, wages and other benefits | 371 604,656 | 498,743 |
| | Repair and maintenance | 983 | 6,753 |
| | Electricity and gas | 8,957 | 1,265 |
| | Advertisement | 456,964 | 151,510 |
| | Rates and taxxes | 13,594 | 9,564 |
| | Freight, octroi and handling | 103,273 | 91,015 |
| | Traveling and conveyance | 112,316 | 63,357 |
| | Printing and stationery | 933 | 595 |
| | Postage and telephone | 6,767 | 8,042 |
| | Depreciation on property, plant and equipment | 61.3 19,612 | 24,766 |
| | Warranty claims and provisions | 366,191 | 239,548 |
| | Royalty | 90,953 | 52,692 |
| | Other expenses | 60,635 | 47,249 |
| | | 1,845,834 | 1,195,099 |
| 37.1 | Salaries and other benefits include Rs. 20.35 million (2022: Rs. 20.35 million) in respect of defined benefit and contribution schemes. | | |
| 38 | FINANCE COST | | |
| | Mark-up on: | | |
| | Markup on short term borrowings | 1,486,248 | 1,035,166 |
| | Markup on long term borrowings | 420,410 | 58,140 |
| | Unwinding of lease liability against right of use assets | 3,513 | 4,988 |
| | Interest on Workers' Profit Participation Fund | 2,449 | 1,204 |
| | Bank charges | 64,012 | 29,971 |
| | | 1,976,632 | 1,129,469 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|---|------------------------------|----------------|
| 39 OTHER OPERATING EXPENSES | | | |
| Realized exchange loss | 39.1 | 103,465 | 71,948 |
| Workers' Profit Participation Fund | 20.6 | 3,170 | 12,137 |
| Impairment of other receivables | | - | 10,197 |
| Donations | 39.2 | 150 | 3,399 |
| Workers' Welfare Fund | 20.7 | 3,824 | 22,387 |
| Assets written off | | 17,277 | 22,031 |
| Provision for obsolete and slow moving inventory | | 344 | - |
| Unrealized loss on short term investments at fair value through profit or loss | | 1,699 | 2,445 |
| Provision for sales tax | | - | 71 |
| Realized loss on disposal of short term investments at fair value through profit or loss | | - | 220 |
| Others | | 137,618 | 18,865 |
| | | 267,547 | 163,700 |
| 39.1 | This represents exchange loss - net of gain incurred on actual foreign currency conversion. | | |
| 39.2 | During the year, donations have been given to the followings: | | |
| Lahore Gymkhana Tennis Club | | 150 | 150 |
| Cancer Care Hospital | | - | 500 |
| Layton Rahmatullah Benevolent Hospital | | - | 165 |
| Infection Control And Prevention Foundation | | - | 200 |
| Government College Township | | - | 525 |
| Haji Muhammad Ghurki Trust | | - | 500 |
| Institute of Art and Culture | | - | 1,359 |
| | | 150 | 3,399 |
| 40 OTHER INCOME | | | |
| <i>Income from financial assets</i> | | | |
| Profit on bank deposits | 40.1 | 34,096 | 24,102 |
| Unrealized gain on short term investments at fair value through profit or loss | | - | 36,208 |
| Unrealized exchange gain | | 6,862 | 623 |
| Liabilities written off | | 7,829 | - |
| Realized gain on disposal of long term investment - FTMM | | - | 73 |
| Dividend income | 40.2 | 949 | 1,707 |
| | | 49,736 | 62,713 |
| <i>Income from non-financial assets</i> | | | |
| Profit on disposal of property, plant and equipment | 6.1.5 | 17,541 | 229,811 |
| Scrap sale | | 69,438 | 43,787 |
| Export rebate | 40.3 | 70,471 | 75,998 |
| Reversal of expected credit loss | 14.2 | 54,634 | - |
| Reversal of deficit on revaluation | | 60,000 | - |
| Workers' Welfare Fund | | 3,175 | - |
| Gain on lease termination | | 1,604 | - |
| Others | | 2,110 | 24,727 |
| | | 278,973 | 374,323 |
| | | 328,709 | 437,036 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

- 40.1** This includes income from savings accounts relating to deposits placed under shariah based arrangement amounting to Rs. 0.68 million (2022: Rs. 1.14 million). This also includes profit amounting to Rs. 3.80 million (2022: Rs. 2.08 million) on deposit kept with Faysal bank in favor of FESCO.

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|--------------|
| 40.2 Dividend income is received from the following: | | | |
| Shahtaj Textile Limited | | - | 135 |
| Sunrays Textile Mills Limited | | 54 | - |
| Maqbool Textile Mills Limited | | 895 | 1,572 |
| | | 949 | 1,707 |

- 40.3** Rebate income is net of commission paid to consultant of Rs 4.16 million (2022: Rs. 4.16 million).

| 41 TAXATION | | | |
|--------------------|-------|----------------|----------------|
| Current | | | |
| - For the year | | 411,514 | 255,066 |
| - For prior years | | (32,277) | (9,376) |
| Deferred | | | |
| - For the year | 271.2 | (103,898) | (29,461) |
| | | 275,339 | 216,229 |
| Associate | 9.21 | (22,303) | 31,068 |
| | 41.1 | 253,036 | 247,297 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|-----------|
| 41.1 Tax charge reconciliation | | | |
| Numerical reconciliation between tax expense and accounting loss | | | |
| Profit / (loss) before taxation | | 281,421 | (55,693) |
| Tax at 29% (2022: 29%) | | 81,612 | (16,151) |
| Tax effect of: | | | |
| - Income under FTR | | 34,732 | (135,951) |
| - Impact of tax related to associate | | (22,303) | 29,383 |
| - Prior year tax | | (32,278) | (9,376) |
| - Minimum tax adjustment | | 108,514 | 133,900 |
| - Permanent difference - donations to unapproved institutions | | 44 | 675 |
| - Deferred tax asset not recognised-net | | - | 227,305 |
| - Super tax | | 59,269 | 17,512 |
| - effect of change in local sales ratio and tax rate | | 23,445 | - |
| | | 253,036 | 247,297 |

| | | 2023 | 2022 |
|---|--------------------|----------------|---------------|
| 42 EARNING / (LOSS) PER SHARE - BASIC AND DILUTED FROM CONTINUING OPERATIONS | | | |
| 42.1 Basic earnings / (loss) per share | | | |
| <i>i-Loss attributable to ordinary share holders:</i> | | | |
| Earning / (Loss) for the year after taxation attributable to equity holders of the parent | Rupees in thousand | (697) | (313,013) |
| <i>ii-Weighted-average number of ordinary shares:</i> | | | |
| Weighted average number of shares | Number in thousand | 176,505 | 176,505 |
| Profit / (Loss) per share | Rupees | (0.004) | (1.77) |
| 42.2 Diluted earnings / (loss) per share | | | |
| <i>i-Profit attributable to ordinary share holders (Diluted):</i> | | | |
| Profit / (loss) for the year after taxation (diluted) | Rupees in thousand | (696) | (313,013) |
| <i>ii-Weighted-average number of ordinary shares (diluted):</i> | | | |
| Weighted average number of shares (basic) | | 176,505 | 176,505 |
| Effect of share options on issue | | - | 1,198 |
| Weighted-average number of ordinary shares (diluted) | Number in thousand | 176,505 | 177,703 |
| Diluted earnings / (loss) per share | Rupees | (0.004) | (1.76) |

Notes to the consolidated financial statements

For the year ended 30 June 2023

43 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these consolidated financial statements with respect to remuneration, including certain benefits to the chief executive, executive directors, non-executive directors and executives of the Group is as follows:

| | Chief Executive | | Executive Directors | | Non-Executive Directors | | Executives | |
|-------------------------|----------------------|--------|---------------------|--------|-------------------------|-------|------------|---------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | (Rupees in thousand) | | | | | | | |
| Managerial remuneration | 58,678 | 57,854 | 30,018 | 35,121 | - | - | 444,496 | 391,330 |
| Provident fund | 98 | 1,177 | 1,818 | 1,143 | - | - | 19,280 | 17,441 |
| Service fund | 98 | 1,177 | 1,818 | 1,143 | - | - | 17,243 | 15,140 |
| Housing fund | - | 5,298 | - | - | - | - | - | 18,171 |
| Superannuation fund - I | - | - | 4,271 | 1,813 | - | - | 35,917 | 23,547 |
| Gratuity fund | - | 1,182 | 5,312 | 2,617 | - | - | 41,507 | 31,377 |
| Bonus | 6,000 | 6,000 | 5,190 | 14,352 | - | - | 101,998 | 130,553 |
| Incentives | - | - | - | - | - | - | 81,706 | 48,302 |
| Utilities | 9,901 | 6,244 | - | 2,324 | - | - | 23,623 | 4,038 |
| Medical | 7,068 | 4,715 | 827 | 43 | - | - | 11,873 | 8,170 |
| Other | 12,956 | 6,837 | - | - | - | - | 44,354 | 31,806 |
| Fees | - | - | - | 90 | 2,825 | 2,730 | - | - |
| | 94,799 | 90,484 | 49,254 | 58,646 | 2,825 | 2,730 | 821,997 | 719,875 |
| Number of persons | 1 | 1 | 1 | 2 | 4 | 4 | 84 | 79 |

The chief executive officer, directors and executives are provided with free use of Company maintained cars and telephone facility, as well as production bonus according to their entitlement.

44 NUMBER OF EMPLOYEES

The Group has employed following number of persons including permanent and contractual staff:

| | 2023 | 2022 |
|------------------------------|---------------------|-------|
| | (Number of persons) | |
| As at 30 June: | 2,697 | 2,674 |
| Average number of employees: | 2,686 | 2,737 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

45 TRANSACTIONS WITH RELATED PARTIES

The related parties include associated companies, directors of the Company, key management personnel, companies in which key management personnel / directors have control or joint control and post employment benefit plans. Balances with related parties are disclosed in respective notes to these consolidated financial statements. Transactions with employees benefit plans are disclosed in note 25 to these consolidated financial statements. Significant transactions with related parties other than disclosed elsewhere in financial statements are as follows:

| I | Related Parties | Relationship | Nature of transactions | 2023 (Rupees in thousand) | 2022 |
|---|--|---|--|------------------------------|---------|
| | Packages Limited | Other related party | Purchase of goods by the Group | - | 30,969 |
| | Cutting Edge (Private) Limited | Other related party | Purchase of services by the Group | 2,359 | - |
| | Elite Brands Limited | Other related party | Purchase of services by the Group | 27,073 | - |
| | | | Sale of goods by the Group | 556,918 | 794,571 |
| | | | Discount on sales | 14,023 | 29,415 |
| | Gulab Devi Chest Hospital | Other related party | Purchase of services | 1,138 | - |
| | | | Donation made by the Group | - | - |
| | | | Sale of Goods | - | 1,352 |
| | Loads Limited | Associated Company (12.49% Equity held) | Sale of batteries | 43 | - |
| | Liaquat National Hospital | Other related party | Sales made by the company | 9,482 | 3,079 |
| | | | Discount on sales | 5 | 9 |
| | | | Purchase of services | 2,750 | 479 |
| | IGI Life Insurance Limited | Other related party | Insurance premium charged to the Group | 88,143 | 52,262 |
| | | | Claims received against insurance | - | 6,000 |
| | IGI General Insurance Limited | Other related party | Insurance premium charged to the Group | 76,199 | 30,960 |
| | Multiple AutoParts Industries (Pvt) Limited | Other related party | Sale of batteries by the Group | 5 | 5 |
| | Specialized AutoParts Industries (Pvt) Limited | Other related party | Sale of batteries by the Group | 56 | 102 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| I | Related Parties | Relationship | Nature of transactions | 2023 (Rupees in thousand) | 2022 |
|---|---------------------------------|--------------------------|-----------------------------------|------------------------------|---------|
| | Employee benefits | | | | |
| | Provident fund | Other related party | Contribution paid during the year | 53,418 | 48,348 |
| | Service fund | Other related party | Contribution paid during the year | 25,635 | 22,676 |
| | Housing fund | Other related party | Contribution paid during the year | 497 | 497 |
| | Housing fund | Other related party | Advance paid during the year | 2,149 | 3,627 |
| | Superannuation fund - II | Other related party | Contribution paid during the year | 368 | 243 |
| | Gratuity fund | Other related party | Contribution expense for the year | 828 | 724 |
| | Defined benefit plans | | | 1,224 | 1,953 |
| | Key management personnel | | | | |
| | Key management personnel | Key management personnel | Salaries and other benefits | 154,010 | 164,599 |

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The share options issued to key management personnel are disclosed in note 26 to these consolidated financial statements. The salaries and other benefits of directors are disclosed in note 46 to these consolidated financial statements. Other transactions with key management personnel are disclosed in respective notes in these consolidated financial statements. The Company considers all members of their management team, including Chief Executive Officer and Directors to be its key management personnel and these are disclosed below:

| Name | Relationship | % of shareholding in the Company |
|------------------------------|-------------------------------------|----------------------------------|
| Syed Shahid Ali | Director / Key management personnel | 31% |
| Syed Sheharyar Ali | Director / Key management personnel | 11% |
| Mr. Munir K. Bana | Director / Key management personnel | 0.14% |
| Mr. M. Shafique Anjum | Director / Key management personnel | 0.19% |
| Mr. Dr. Salman Faridi | Director / Key management personnel | 0% |
| Mr. Imran Azim | Director / Key management personnel | 0% |
| Ms. Sidra Sheikh | Director / Key management personnel | N/A |
| Mrs. Zunaira Dar | Key management personnel | N/A |
| Mr. Muhammad Mohtashim Aftab | Key management personnel | N/A |
| Mr. Muhammad Zubair | Key management personnel | N/A |
| Mr. Nabeel Khalid Butt | Key management personnel | N/A |
| Mr. Rashid Ali Rizvi | Key management personnel | N/A |
| Mr. Arshad Latif | Key management personnel | N/A |
| Mr. Muhammad Javaid Aslam | Key management personnel | N/A |
| Mr. Akhlaq Ahmed | Key management personnel | N/A |
| Mr. Imran Khan | Key management personnel | N/A |
| Mr. Nasir Mahmood | Key management personnel | N/A |
| Mr. Hamad Mahmood | Key management personnel | N/A |

Notes to the consolidated financial statements

For the year ended 30 June 2023

46 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

Risk management framework

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

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

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

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

46.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Group maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

46.1.1 Exposure to credit risk

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

| | 2023 | 2022 |
|--|----------------------|------------------|
| | (Rupees in thousand) | |
| Long term deposits | 111,746 | 99,375 |
| Long term loans and advances | 2,752 | 6,310 |
| Trade debts | 1,799,114 | 1,092,944 |
| Loans, advances, deposits, prepayments and other receivables | 110,084 | 382,056 |
| Bank balances | 349,385 | 570,102 |
| | 2,373,081 | 2,150,787 |

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For the year ended 30 June 2023

46.1.2 Exposure to credit risk

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

| | 2023 (Rupees in thousand) | 2022 |
|--|------------------------------|------------------|
| Customers | 1,799,114 | 1,092,944 |
| Banking companies and financial institutions | 619,385 | 840,102 |
| Others | 224,582 | 217,741 |
| | 2,643,081 | 2,150,787 |

46.1.3 Credit quality and impairment

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

46.1.3(a) Counterparties with external credit ratings

These mainly include customers which are counter parties to local and foreign trade debts. As explained in note 3.4, the Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. On adoption of IFRS 9, management uses an allowance matrix to base the calculation of ECL of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'role rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. the Group has used four years quarterly data in the calculation of historical loss rates along with the matching quarterly ageing brackets for the computation of roll rates. These rates are multiplied by scalar factors to reflect the effect of forward looking macro economic factors.

The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2023 was determined as follows:

| | 2023 | | 2022 | |
|-----------------------|----------------------------------|-------------------|----------------------------|-------------------|
| | Gross carry- ing amount | Loss Allowance | Gross carry- ing amount | Loss Allowance |
| | ----- (Rupees in thousand) ----- | | | |
| Not past due | 951,455 | - | 604,037 | 1,425 |
| Less than 30 days | 338,060 | - | 204,459 | - |
| Past due 1 - 3 months | 203,936 | - | 178,812 | 11,490 |
| Above 3 months | 345,177 | 39,514 | 195,774 | 77,223 |
| | 1,838,628 | 39,514 | 1,183,082 | 90,138 |

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

Notes to the consolidated financial statements

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46.13(b) Counterparties with external credit ratings

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

| Banks | Rating | | Rating Agency | 2023 | 2022 |
|----------------------------------|------------|-----------|---------------|----------------------|----------------|
| | Short term | Long term | | (Rupees in thousand) | |
| MCB Islamic Bank Limited | A-1 | A | PACRA | 2,278 | 80,637 |
| Faysal Bank Limited | A1+ | AA | PACRA | 13,533 | 10,280 |
| United Bank Limited | A-1+ | AAA | JCR VIS | 11,907 | 16,874 |
| Habib Bank Limited | A-1+ | AAA | JCR VIS | 125,862 | 431,970 |
| Askari Bank Limited | A1+ | AA+ | PACRA | 53,929 | 46,413 |
| National Bank of Pakistan | A1+ | AAA | PACRA | 44,543 | 42,942 |
| Bank of Punjab | A1+ | AA+ | PACRA | 2,182 | - |
| MCB Bank Limited | A1+ | AAA | PACRA | 5,452 | 46,801 |
| Silk Bank Limited | A-2 | A- | JCR VIS | 140 | 1,947 |
| Samba Bank Limited | A-1 | AA | JCR VIS | 8 | 7 |
| Bank Alfalah Limited | A1+ | AA+ | PACRA | 10,838 | 13,827 |
| Bank Islami Pakistan Limited | A1 | AA- | PACRA | 1,494 | 3,772 |
| Soneri Bank Limited | A1+ | AA- | PACRA | 6,898 | 23,689 |
| Sindh Bank Limited | A-1 | A+ | JCR VIS | 498 | 412 |
| Dubai Islamic Bank Limited | A-1+ | AA | JCR VIS | 23,243 | 34,563 |
| Allied Bank Limited | A1+ | AAA | PACRA | 16,295 | 23,643 |
| Albaraka Bank (Pakistan) Limited | A-1 | A+ | JCR VIS | 421 | 1,964 |
| JS Bank Limited | A-1+ | AA- | PACRA | 25 | 25 |
| Habib Metropolitan Bank Limited | A-1+ | AA+ | PACRA | 1,002 | 2,006 |
| Meezan Bank Limited | A-1+ | AAA | JCR-VIS | 28,451 | 57,839 |
| Bank Al Habib Limited | A-1+ | AAA | PACRA | 386 | 491 |
| | | | | 349,385 | 840,102 |

46.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets, or that such obligations will have to be settled in a manner unfavorable to the Group. Management closely monitors the Group's liquidity and cash flow position. This includes maintenance of liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

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

Notes to the consolidated financial statements

For the year ended 30 June 2023

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

| | 2023 | | | | |
|---|----------------------|---------------------------|-----------------------|----------------------|-------------------------|
| | Carrying Amount | Contractual cash flows | Less than one year | One to five years | More than five years |
| | (Rupees in thousand) | | | | |
| <u>Financial liabilities at amor- tized cost</u> | | | | | |
| Short term borrowings | 8,493,325 | 8,493,325 | 8,493,325 | - | - |
| Lease liability against right of use assets | 35,958 | 41,129 | 19,364 | 21,765 | - |
| Trade and other payables | 2,400,859 | 2,400,859 | 2,400,859 | - | - |
| Unclaimed dividend | 15,602 | 15,602 | 15,602 | - | - |
| Accrued mark-up | 540,632 | 540,632 | 540,632 | - | - |
| Long term deposits | 13,853 | 13,853 | - | 13,853 | - |
| Long term finances - secured | 2,820,038 | 1,597,322 | 631,634 | 653,188 | 312,500 |
| | 14,320,267 | 13,102,722 | 12,101,416 | 688,806 | 312,500 |
| 2022 | | | | | |
| | Carrying Amount | Contractual cash flows | Less than one year | One to five years | More than five years |
| (Rupees in thousand) | | | | | |
| <u>Financial liabilities at amor- tized cost</u> | | | | | |
| Short term borrowings | 10,052,206 | 10,052,206 | 10,052,206 | - | - |
| Lease liability against right of use assets | 46,205 | 53,952 | 17,727 | 36,225 | - |
| Trade and other payables | 1,624,236 | 1,624,236 | 1,624,236 | - | - |
| Unclaimed dividend | 15,625 | 15,625 | 15,625 | - | - |
| Accrued mark-up | 329,207 | 329,207 | 329,207 | - | - |
| Long term deposits | 5,602 | 5,602 | - | 5,602 | - |
| Long term finances - secured | 1,056,187 | 1,385,897 | 420,209 | 653,188 | 312,500 |
| | 13,129,269 | 13,466,726 | 12,459,210 | 695,015 | 312,500 |

46.3 Market risk

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

46.3.1 Currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows. The figures represent foreign currency balances after conversion in Pak Rupees using exchange rates prevailing at the consolidated statement of financial position date.

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| | 2023 | | 2022 | |
|---|----------------------|---------|----------------------|---------|
| | (Rupees in thousand) | | (Rupees in thousand) | |
| | USD | EUR | USD | EUR |
| Assets | | | | |
| - Trade debts | 258,013 | - | 122,977 | - |
| Net Statement of financial position exposure | 258,013 | 100,296 | 122,977 | 100,296 |
| Off statement of financial position items | | | | |
| - Outstanding letters of credit | 1,344,230 | 40,824 | 1,344,230 | 40,824 |
| Net exposure | (1,086,217) | 59,472 | (1,221,253) | 59,472 |

Exchange rates applied during the year

The following significant exchange rate has been applied:

| | Average rate | | Reporting date rate | |
|------|--------------|--------|---------------------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| | USD | 246.30 | 182.00 | 287.10 |
| EURO | 264.64 | 201.00 | 314.27 | 215.00 |

Sensitivity analysis

A reasonably possible strengthening / (weakening) of 10% in Pak Rupee against the following currencies would have affected the measurement of financial instruments denominated in foreign currency and affected statement of profit or loss by the amounts shown below at the statement of financial position date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| | 2023 | 2022 |
|-----|----------------------|--------|
| | (Rupees in thousand) | |
| USD | 25,801 | 12,298 |

46.3.2 Interest rate risk

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

Notes to the consolidated financial statements

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46.3.2.1 Fixed rate financial instruments

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest / mark-up bearing financial instruments as at the reporting date are as follows:

| | Note | 2023 | | 2022 | |
|--|------|------------------|-----------------------|------------------|-----------------------|
| | | Financial assets | Financial liabilities | Financial assets | Financial liabilities |
| ----- (Rupees in thousand) ----- | | | | | |
| <u>Non-derivative financial instruments</u> | | | | | |
| Long term deposit - Escrow account | 12 | - | - | 270,000 | - |
| | | - | - | 270,000 | - |

The related mark-up / interest rates for fixed rate financial instruments are indicated in the related notes to the financial statements.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss account. Therefore, a change in profit / mark-up / interest rates at the reporting date would not affect profit and loss account.

46.3.2.2 Variable rate financial instruments

| | Note | 2023 | | 2022 | |
|--|------|------------------|-----------------------|------------------|-----------------------|
| | | Financial assets | Financial liabilities | Financial assets | Financial liabilities |
| ----- (Rupees in thousand) ----- | | | | | |
| <u>Non-derivative financial instruments</u> | | | | | |
| Long term finances - secured | 27 | - | - | - | - |
| Short term borrowings | 21 | - | 8,493,325 | - | 10,052,206 |
| Bank balances - saving accounts | 18 | 159,310 | - | 198,357 | - |
| Receivable from related parties and others | 17 | 10,102 | - | 10,102 | - |
| | | 169,412 | 8,493,325 | 208,459 | 10,052,206 |

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The related mark-up / interest rates for fixed rate financial instruments are indicated in the related notes to the consolidated financial statements.

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit by amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. This analysis is performed on the same basis for the year 2022.

| | Profit / (Loss) | |
|-------------------------------------|----------------------|----------|
| | 2023 | 2022 |
| | (Rupees in thousand) | |
| Increase of 100 basis points | | |
| Variable rate instruments | (83,239) | (98,437) |
| Decrease of 100 basis points | | |
| Variable rate instruments | 83,239 | 98,437 |

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

46.3.2.3 Interest rate risk management

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing and loans and advances by the Company has variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

46.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Group's investment in units of mutual funds and ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Group diversifies its portfolio and continuously monitors developments in equity markets. In addition the Group actively monitors the key factors that affect stock price movement.

A 10% increase in share prices at the year end would have impacted the Group's profit in case of held for trading investments is as follows:

| | 2023 | 2022 |
|--------------------------|----------------------|-------|
| | (Rupees in thousand) | |
| Effect on profit or loss | 1,007 | 1,024 |
| Effect on investments | 1,007 | 1,024 |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit and loss, equity and assets of the Group.

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46.4 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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| | Carrying amount | | | Fair value | | | | |
|--|---------------------------------|-----------------------------------|------------------------------------|---|----------------|----------|--------------|-------------------|
| | Fair value through OCI | Fair value through profit or loss | Financial assets at amortized cost | Financial liabilities at amortized cost | Level 1 | Level 2 | Level 3 | Total |
| 30 June 2023 | ----- Rupees in thousands ----- | | | | | | | |
| <i>Financial assets at fair value</i> | | | | | | | | |
| Long term investments | 8,167 | - | - | - | - | - | 8,167 | 8,167 |
| Short term investments | - | 100,668 | - | - | 100,668 | - | - | 100,668 |
| | 8,167 | 100,668 | - | - | 100,668 | - | 8,167 | 108,835 |
| <i>Financial assets at amortised cost</i> | | | | | | | | |
| Long term deposits | - | - | 111,746 | - | - | - | - | 111,746 |
| Long term loans and advances | - | - | 2,752 | - | - | - | - | 2,752 |
| Trade debts | - | - | 1,799,114 | - | - | - | - | 1,799,114 |
| Short term investments | - | - | 100,668 | - | - | - | - | 100,668 |
| Loans, advances, deposits, and other receivables | - | - | 110,084 | - | - | - | - | 110,084 |
| Cash and bank balances | - | - | 371,235 | - | - | - | - | 371,235 |
| | - | - | 2,495,599 | - | - | - | - | 2,495,599 |
| 46.4.1 | | | | | | | | |
| <i>Financial liabilities measured at fair value</i> | | | | | | | | |
| <i>Financial liabilities - not measured at fair value</i> | | | | | | | | |
| Short term borrowings | - | - | - | 8,493,325 | - | - | - | 8,493,325 |
| Lease liability against right of use assets | - | - | - | 35,958 | - | - | - | 35,958 |
| Trade and other payables | - | - | - | 2,400,859 | - | - | - | 2,400,859 |
| Unclaimed dividend | - | - | - | 15,602 | - | - | - | 15,602 |
| Accrued mark-up | - | - | - | 540,632 | - | - | - | 540,632 |
| Long term deposits | - | - | - | 13,853 | - | - | - | 13,853 |
| Long term finances - secured | - | - | - | 2,820,038 | - | - | - | 2,820,038 |
| | - | - | - | 14,320,267 | - | - | - | 14,320,267 |
| 46.4.1 | | | | | | | | |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | Carrying amount | | | | Fair value | | | | |
|---|------|------------------------|-----------------------------------|------------------------------------|-----------------------------|------------|---------|--------|--------|---------|
| | | Fair value through OCI | Fair value through profit or loss | Financial assets at amortized cost | Other financial liabilities | Total | Level1 | Level2 | Level3 | Total |
| ----- Rupees in thousands ----- | | | | | | | | | | |
| 30 June 2022 | | | | | | | | | | |
| Financial assets at fair value | | | | | | | | | | |
| Long term investments | | 8,167 | - | - | - | 8,167 | - | - | 8,167 | 8,167 |
| Short term investments | | - | 102,368 | - | - | 102,368 | 102,368 | - | - | 102,368 |
| | | 8,167 | 102,368 | - | - | 110,535 | 102,368 | - | 8,167 | 110,535 |
| Financial assets at amortised cost | | | | | | | | | | |
| Long term deposits | | - | - | 99,375 | - | 99,375 | - | - | - | - |
| Long term loans and advances | | - | - | 6,310 | - | 6,310 | - | - | - | - |
| Trade debits | | - | - | 1,092,944 | - | 1,092,944 | - | - | - | - |
| Short term investments | | - | - | - | - | - | - | - | - | - |
| Loans, advances, deposits, and other receivables | | - | - | 382,056 | - | 382,056 | - | - | - | - |
| Bank balances | | - | - | 600,029 | - | 600,029 | - | - | - | - |
| | | - | - | 2,180,714 | - | 2,180,714 | - | - | - | - |
| Financial liabilities measured at fair value | | | | | | | | | | |
| Financial liabilities not measured at fair value | | | | | | | | | | |
| Short term borrowings | | - | - | - | 10,052,206 | 10,405,146 | - | - | - | - |
| Lease liability against right of use assets | | - | - | - | 46,205 | 81,334 | - | - | - | - |
| Trade and other payables | | - | - | - | 1,624,236 | 2,035,471 | - | - | - | - |
| Unclaimed dividend | | - | - | - | 15,625 | 13,262 | - | - | - | - |
| Accrued mark-up | | - | - | - | 329,207 | 226,906 | - | - | - | - |
| Long term deposits | | - | - | - | 5,602 | 3,464 | - | - | - | - |
| Long term finances - secured | | - | - | - | 1,056,187 | 342,311 | - | - | - | - |
| | | - | - | - | 13,129,268 | 13,107,894 | - | - | - | - |

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

46.4.2 Freehold land, buildings and plant and machinery have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment as disclosed in note 6.1. The valuations were conducted by the valuation experts appointed by the Group. The valuation experts used a market based approach to arrive at the fair value of the Group's land and building. For revaluation of freehold land, fair market value was assessed through inquiries to real estate agents and property dealers in near vicinity of freehold land and neighbouring properties, which were recently sold or purchased, to determine a reasonable selling/buying price. In case of buildings, fair market value was assessed according to the observations made by valuer on the basis of existing outlook, appearance, face value, individual merits, class and type of construction, quality and standard of material used for construction and by applying suitable price adjustments. For revaluation of plant and machinery, suppliers and different machinery consultants in Pakistan and abroad were contacted to collect information regarding current prices of comparable items of plant and machinery to determine current replacement value. Fair depreciation factor for each item is applied according to their physical condition, usage and maintenance. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

46.5 Capital risk management

The Group's objectives when managing capital are:

- a) to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- b) to provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may, for example, adjust the amount of dividends attributed to shareholders, issue new shares, or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio of total debt (current and non-current borrowings) to debt plus equity.

The debt to equity ratios were as follows:

| | 2023 (Rupees in thousand) | 2022 |
|-----------------------|--|------------|
| Total debt | 11,313,363 | 11,108,393 |
| Total equity and debt | 20,827,215 | 20,466,244 |
| Debt to equity ratio | 54% | 54% |

Notes to the consolidated financial statements

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| | 2023 | 2022 |
|---|----------------------|-------------------|
| | (Rupees in thousand) | |
| 47 OPERATING SEGMENTS | | |
| 47.1 Geographical Information | | |
| Significant sales are made by the Group in the following countries: | | |
| Pakistan | 19,801,846 | 13,422,763 |
| Saudi Arabia | 538,449 | 440,811 |
| United Arab Emirates | 673,369 | 407,390 |
| China | 697,760 | 496,643 |
| Bangladesh | 189,852 | 85,726 |
| Jordan | 22,902 | - |
| Singapore | 163,023 | 167,346 |
| Sri Lanka | 119,887 | 91,260 |
| Yemen | 294,168 | 204,946 |
| Brazil | 36,293 | 25,669 |
| Lebanon | 8,020 | 119,396 |
| Uzbekistan | 41,075 | 23,239 |
| Tajikistan | 30,278 | 14,182 |
| Other countries | 735,792 | 290,552 |
| | 23,352,714 | 15,789,922 |

Sales are attributed to countries on the basis of the customer's location.

47.2 Business segments

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns, that are different from those of other business segments. As at 30 June 2021 the Group is engaged into following main business segments:

- (i) Manufacture and sale of blades;
- (ii) Manufacture and sale of soaps;
- (iii) Manufacture and sale of corrugated boxes;
- (iv) Assembling and sale of motor bikes;
- (v) Manufacture and sale of paper and board.
- (vi) Manufacture and sale of battery;
- (vi) Manufacturing and sale of hemodialysis concentrates (pharmaceutical products).

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47.3 Business segment wise detail

| Note | Rupees in thousand | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--------------------|------------|------------|-----------|-----------|-----------|---------|---------|-----------|------------------|-----------|----------|----------|----------|-----------|-------------------------|-----------|--------|--------|--------|-------------|-------------|-------------|-------------|---------|
| | Blades and Razors | | | Battery | | | Soaps | | | Corrugated boxes | | | Bikes | | | Pharmaceutical Products | | | Others | | | Total | | | |
| | 2023 | 2022 | 2023 | 2023 | 2022 | 2023 | 2023 | 2022 | 2023 | 2023 | 2022 | 2023 | 2023 | 2022 | 2023 | 2023 | 2022 | 2023 | 2023 | 2022 | 2023 | 2023 | 2022 | 2023 | |
| Revenue | 11,525,616 | 8,454,172 | 10,293,261 | 6,153,927 | 6,153,927 | 1,198,563 | 590,169 | 590,169 | 3,326,674 | 2,820,234 | 2,820,234 | 46,088 | 61,745 | 61,745 | 1,068,536 | 715,383 | 715,383 | 24,429 | 10,628 | 10,628 | 27,469,366 | 27,469,366 | 18,620,059 | 18,620,059 | |
| - external customers | 11,525,616 | 8,454,172 | 10,293,261 | 6,153,927 | 6,153,927 | 1,198,563 | 590,169 | 590,169 | 3,326,674 | 2,820,234 | 2,820,234 | 46,088 | 61,745 | 61,745 | 1,068,536 | 715,383 | 715,383 | 24,429 | 10,628 | 10,628 | 27,469,366 | 27,469,366 | 18,620,059 | 18,620,059 | |
| Less: Sales tax | 1,241,501 | 945,909 | 1,692,860 | 1,077,566 | 1,077,566 | 210,237 | 100,017 | 100,017 | 496,061 | 392,340 | 392,340 | - | 10,186 | 10,186 | - | - | - | 1,717 | 1,649 | 1,649 | 3,642,308 | 3,642,308 | 2,467,925 | 2,467,925 | |
| Trade discount | 119,219 | 107,086 | 352,498 | 254,299 | 254,299 | 139 | 392 | 392 | 182 | 242 | 242 | 682 | 183 | 183 | 1,624 | - | - | 9 | - | - | 474,344 | 474,344 | 362,211 | 362,211 | |
| Net revenue | 1,360,720 | 1,052,995 | 2,045,358 | 1,272,055 | 1,272,055 | 210,376 | 100,409 | 100,409 | 496,243 | 392,582 | 392,582 | 682 | 10,369 | 10,369 | 1,624 | - | - | 1,726 | 1,649 | 1,649 | 4,116,652 | 4,116,652 | 2,830,036 | 2,830,036 | |
| Cost of revenue - raw and packing material consumption | 10,164,896 | 7,401,177 | 8,247,903 | 4,881,872 | 4,881,872 | 988,187 | 489,760 | 489,760 | 2,830,431 | 2,227,652 | 2,227,652 | 45,406 | 51,376 | 51,376 | 1,066,912 | 715,383 | 715,383 | 22,703 | 8,979 | 8,979 | 23,352,714 | 23,352,714 | 15,789,923 | 15,789,923 | |
| Cost of revenue - other than raw and packing material consumption | 4,097,456 | 2,880,019 | 5,883,327 | 3,589,907 | 3,589,907 | 823,741 | 403,876 | 403,876 | 2,178,739 | 1,730,056 | 1,730,056 | 43,173 | 42,736 | 42,736 | 665,295 | 397,479 | 397,479 | 19,310 | 5,930 | 5,930 | 13,197,661 | 13,197,661 | 9,062,383 | 9,062,383 | |
| Gross profit / (loss) | 2,748,582 | 2,215,951 | 1,515,252 | 1,127,839 | 1,127,839 | 27,142 | 59,775 | 59,775 | 578,585 | 473,216 | 473,216 | 12,697 | 14,332 | 14,332 | 147,487 | 167,369 | 167,369 | - | - | - | 5,029,745 | 5,029,745 | 4,058,482 | 4,058,482 | |
| Inter company / inter segment - net sales | 3,318,858 | 2,305,207 | 1,349,324 | 165,126 | 165,126 | 137,304 | 26,109 | 26,109 | 73,107 | 24,380 | 24,380 | (10,464) | (5,692) | (5,692) | 254,130 | 150,535 | 150,535 | 3,393 | 3,049 | 3,049 | 5,125,308 | 5,125,308 | 2,668,058 | 2,668,058 | |
| Inter company / inter segment - purchases | (76,443) | (43,149) | (1,547) | - | - | - | (84) | (84) | (8,324) | (10,711) | (10,711) | 7,403 | - | - | (33,067) | 1,377 | 1,377 | 27,005 | 27,000 | 27,000 | 127,208 | 127,208 | 75,839 | 75,839 | |
| Gross profit / (loss) - segment wise | 3,242,415 | 2,262,058 | 1,347,777 | 165,267 | 165,267 | 137,304 | 26,025 | 26,025 | 157,588 | 60,985 | 60,985 | (11,073) | (6,308) | (6,308) | 221,063 | 130,633 | 130,633 | 30,398 | 30,049 | 30,049 | 5,125,122 | 5,125,122 | 2,668,058 | 2,668,058 | |
| Administrative expenses | 747,076 | 554,897 | 35,164 | 44,248 | 44,248 | 5,988 | 4,490 | 4,490 | 44,306 | 29,559 | 29,559 | 3,170 | 3,541 | 3,541 | 26,967 | 16,336 | 16,336 | 436 | 2,588 | 2,588 | 865,230 | 865,230 | 653,507 | 653,507 | |
| Allocated | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 164 | 164 |
| Unallocated | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 653,671 | 653,671 |
| Distribution cost | 1,096,011 | 74,368 | 581,884 | 384,599 | 384,599 | 56,691 | 1,673 | 1,673 | 45,362 | 35,356 | 35,356 | 14,308 | 12,742 | 12,742 | 51,578 | 46,382 | 46,382 | - | - | - | 1,845,833 | 1,845,833 | 1,195,099 | 1,195,099 | |
| Segment results | 1,399,328 | 982,793 | 730,729 | (263,590) | (263,590) | 74,655 | 19,862 | 19,862 | 67,919 | (3,930) | (3,930) | (28,551) | (22,591) | (22,591) | 142,918 | 67,935 | 67,935 | 29,962 | 27,461 | 27,461 | 2,414,059 | 2,414,059 | 820,288 | 820,288 | |
| Impairment loss on ECL | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Finance cost | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (23,384) | (23,384) | (26,077) | (26,077) | |
| Other operating expenses | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,976,607) | (1,976,607) | (1,129,469) | (1,129,469) | |
| Other income | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (243,841) | (243,841) | (163,700) | (163,700) | |
| Share of profit of associate | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 328,709 | 328,709 | 437,036 | 437,036 | |
| Profit / (Loss) before taxation from continuing operations | 1,399,328 | 982,793 | 730,729 | (263,590) | (263,590) | 74,655 | 19,862 | 19,862 | 67,919 | (3,930) | (3,930) | (28,551) | (22,591) | (22,591) | 142,918 | 67,935 | 67,935 | 29,962 | 27,461 | 27,461 | 498,936 | 498,936 | (61,922) | (61,922) | |
| Taxation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (217,638) | (217,638) | 6,229 | 6,229 | |
| Profit / (Loss) after taxation from continuing operations | 1,399,328 | 982,793 | 730,729 | (263,590) | (263,590) | 74,655 | 19,862 | 19,862 | 67,919 | (3,930) | (3,930) | (28,551) | (22,591) | (22,591) | 142,918 | 67,935 | 67,935 | 29,962 | 27,461 | 27,461 | 281,298 | 281,298 | (55,693) | (55,693) | |
| 47.3.1 Segment assets | 22,644,095 | 11,270,664 | 1,133,508 | 9,078,297 | 9,078,297 | 432,035 | 231,139 | 231,139 | 460,836 | 2,184,895 | 2,184,895 | 352,746 | 147,401 | 147,401 | 2,042,294 | 1,620,170 | 1,620,170 | 30,709 | 63,498 | 63,498 | 27,129,012 | 27,129,012 | 24,563,275 | 24,563,275 | |
| Unallocated assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 759,545 | 759,545 |
| Total Assets | 22,644,095 | 11,270,664 | 1,133,508 | 9,078,297 | 9,078,297 | 432,035 | 231,139 | 231,139 | 460,836 | 2,184,895 | 2,184,895 | 352,746 | 147,401 | 147,401 | 2,042,294 | 1,620,170 | 1,620,170 | 30,709 | 63,498 | 63,498 | 27,129,012 | 27,129,012 | 25,322,821 | 25,322,821 | |
| 47.3.2 Segment liabilities | 11,769,269 | 10,231,923 | 3,725,869 | 3,934,986 | 3,934,986 | 15,478,4 | 63,437 | 63,437 | 469,539 | 202,527 | 202,527 | 41,604 | 67,196 | 67,196 | 910,724 | 504,797 | 504,797 | 18,827 | 22,850 | 22,850 | 17,094,638 | 17,094,638 | 15,023,693 | 15,023,693 | |
| Unallocated liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 87,584 | 87,584 |
| Total Liabilities | 11,769,269 | 10,231,923 | 3,725,869 | 3,934,986 | 3,934,986 | 15,478,4 | 63,437 | 63,437 | 469,539 | 202,527 | 202,527 | 41,604 | 67,196 | 67,196 | 910,724 | 504,797 | 504,797 | 18,827 | 22,850 | 22,850 | 17,094,638 | 17,094,638 | 15,023,693 | 15,023,693 | |
| 47.3.3 Unallocated assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 17,182,223 | 17,182,223 | 15,653,463 | 15,653,463 | |

47.3.3 Unallocated assets includes deferred tax liability, investment in associate and results of Treet Power Limited and Treet Battery Limited

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|--------------------|
| 48 CASH GENERATED FROM / (USED IN) OPERATIONS | | | |
| Profit / (loss) before taxation | | 281,421 | (55,695) |
| Adjustments for non cash items: | | | |
| Finance cost | 38 | 1,976,632 | 1,129,469 |
| Depreciation on property, plant and equipment | 61 | 677,952 | 670,365 |
| Depreciation on right of use assets | 71 | 17,272 | 15,490 |
| Unrealised exchange gain - net | 40 | (6,862) | (623) |
| Amortization on intangible asset | 81 | 14,792 | 14,767 |
| Provision for gratuity | 25.2 | 105,485 | 85,286 |
| Provision for superannuation | 25.2 | 93,107 | 80,180 |
| Provision for warranty | 37 | 366,191 | 239,548 |
| Profit on bank deposits | 40 | (34,096) | (24,102) |
| Expected credit loss on trade debts | | - | 26,077 |
| Reversal of impairment under expected credit loss | 40 | - | - |
| Profit on disposal of property, plant and equipment | 40 | (17,541) | (229,811) |
| Reversal of revaluation deficit | 42 | (60,000) | - |
| Provision for WPPF and WWF | 39 | 649 | (12,598) |
| Unrealized (gain) / loss on investment at fair value through profit or loss | 39 | (1,699) | (36,208) |
| Provision for sales tax | 39 | - | 71 |
| Assets written off | 39 | (17,277) | 22,031 |
| Provision for obsolete and slow moving inventory | 39 | 344 | - |
| Share of (profit) / loss from associates | | 218,115 | (6,229) |
| Dividend income | 40 | - | (1,707) |
| | | 3,333,064 | 1,972,006 |
| Operating profit before working capital changes | | 3,614,485 | 1,916,311 |
| <i>Decrease / (Increase) in current assets:</i> | | | |
| Stores and spares | | (11,966) | (70,650) |
| Stock in trade | | (1,316,893) | (507,354) |
| Trade debtors | | (699,308) | (160,157) |
| Short term investment | | 3,400 | 298,245 |
| Loans, advances, deposits, prepayments and other receivables | | (342,407) | (279,172) |
| | | (2,367,174) | (719,088) |
| <i>Increase / (Decrease) in current liabilities:</i> | | | |
| Trade and other payables | | 704,939 | (476,241) |
| | | 704,939 | (476,241) |
| Increase in long term deposits | | 8,252 | 2,139 |
| | | 1,960,502 | 723,121 |
| 49 CASH AND CASH EQUIVALENT | | | |
| Cash and bank balances | 18 | 367,407 | 516,793 |
| Short term running finance - secured | 21 | (6,178,305) | (6,911,385) |
| | | (5,810,898) | (6,394,592) |

Notes to the consolidated financial statements

For the year ended 30 June 2023

50 Reconciliation of movement of liabilities to cash flows arising from financing activities

| | Liabilities | | | | | | | Equity | | | Total |
|--|-----------------------|---------------------------|----------------------------|---|-------------------|---------------------------|-----------------------|--|---|------------|-------|
| | Short term borrowings | Loan from Chief Executive | Unclaimed Dividend Payable | Lease liability against right of use assets | Long term finance | Deferred government grant | Share capital/premium | Employee Stock Option Compensation Reserve | | | |
| As at 30 June 2022 | 3,001,744 | 50,000 | 15,625 | 46,205 | 1,056,187 | 11,488 | 6,691,738 | - | - | 10,962,064 | |
| Cash flows | | | | | | | | | | | |
| Proceeds from issue of shares under employee stock option scheme | (825,801) | - | - | - | - | - | - | - | - | (825,801) | |
| Short term borrowings - net | - | 230,000 | - | - | - | - | - | - | - | 230,000 | |
| Loan from Chief Executive Officer - Interest free | - | - | - | (14,266) | - | - | - | - | - | (14,266) | |
| Payment of lease liability against right of use assets | - | - | - | - | 1,763,851 | - | - | - | - | 1,763,851 | |
| Long term loans - net | - | - | - | - | - | 50,267 | - | - | - | 50,267 | |
| Dividend paid | - | - | (23) | - | - | - | - | - | - | (23) | |
| Total changes from financing cash flows | (825,801) | 230,000 | (23) | (14,266) | 1,763,851 | 50,267 | - | - | - | 1,204,028 | |
| Non-cash changes | | | | | | | | | | | |
| Liability against right of use assets recognised during the year | - | - | - | - | - | - | - | - | - | - | |
| Cancellation of lease liability | - | - | - | 12,284 | - | - | - | - | - | 12,284 | |
| Interest on unwinding of liability against right of use assets | - | - | - | 5,247 | - | - | - | - | - | 5,247 | |
| Government grant recognised | - | - | - | (13,512) | - | - | - | - | - | (13,512) | |
| Government grant amortised | - | - | - | - | - | (504) | - | - | - | (504) | |
| Total liability related other changes | - | - | - | 4,019 | - | (504) | - | - | - | 3,515 | |
| As at 30 June 2023 | 2,265,020 | 280,000 | 15,602 | 35,958 | 2,820,038 | 61,251 | 6,691,738 | - | - | 12,169,607 | |

(Rupees in thousand)

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Liabilities | | | | | Equity | | | |
|--|-----------------------|---------------------------|----------------------------|---|-------------------|---------------------------|-----------------------|--|------------|
| | Short term borrowings | Loan from Chief Executive | Unclaimed Dividend Payable | Lease liability against right of use assets | Long term finance | Deferred government grant | Share capital/premium | Employee Stock Option Compensation Reserve | Total |
| As at 30 June 2021 | 3,001,744 | 50,000 | 13,262 | 81,334 | 342,311 | 15,929 | 6,597,133 | - | 10,101,713 |
| Cash flows | | | | | | | | | |
| Proceeds from issue of shares under employee stock option scheme | - | - | - | - | - | - | 94,605 | - | 94,605 |
| Short term borrowings - net | 89,077 | - | - | - | - | - | - | - | 89,077 |
| Payment of lease liability against right of use assets | - | - | - | (15,940) | - | - | - | - | (15,940) |
| Long term loans - net | - | - | - | - | 713,876 | - | - | - | 713,876 |
| Dividend paid | - | - | 2,363 | - | - | - | - | - | 2,363 |
| Total changes from financing cash flows | 89,077 | - | 2,363 | (15,940) | 713,876 | - | 94,605 | - | 883,981 |
| Non-cash changes | | | | | | | | | |
| Liability against right of use assets recognised during the year | - | - | - | - | - | - | - | - | - |
| Cancellation of lease liability | - | - | - | (25,486) | - | - | - | - | (25,486) |
| Interest on unwinding of liability against right of use assets | - | - | - | 6,297 | - | - | - | - | 6,297 |
| Government grant recognised | - | - | - | - | - | 2,402 | - | - | 2,402 |
| Government grant amortised | - | - | - | - | - | (6,843) | - | - | (6,843) |
| Total liability related other changes | - | - | - | (19,189) | - | (4,441) | - | - | (23,630) |
| As at 30 June 2022 | 3,090,821 | 50,000 | 15,625 | 46,205 | 1,056,187 | 11,488 | 6,691,738 | - | 10,962,064 |

Notes to the consolidated financial statements

For the year ended 30 June 2023

| | Production capacity | | Actual production | |
|---|---------------------|-----------|-------------------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| 51 PLANT CAPACITY AND PRODUCTION | | | | |
| Blades - units in millions | 2,230 | 2,230 | 1,705 | 1,721 |
| Corrugated boxes - in metric tones | 30,000 | 30,000 | 20,466 | 23,578 |
| Bikes - in units | 18,000 | 18,000 | 470 | 1,245 |
| Soap - in metric tones | N/A | 5,000 | 2,462 | - |
| Batteries - numbers | 1,200,000 | 1,200,000 | 733,316 | 672,711 |
| Hemodialysis concentrates - in thousand session | 2,400 | 2,400 | 2,473 | 2,294 |

Actual production was sufficient to meet the market demand. The variance of actual production from capacity is related to production mix and market conditions.

52 PROVIDENT FUND TRUST

The following information is based on the latest un-audited financial statements of the Provident Fund Trust:

| | Un-audited | Un-audited |
|---------------------------------|----------------------|------------|
| | 2023 | 2022 |
| | (Rupees in thousand) | |
| Size of the fund - total assets | 681,017 | 953,137 |
| Cost of investments made | 295,020 | 469,223 |
| Percentage of investments made | 45% | 51% |
| Fair value of investments | 306,258 | 490,326 |

The break-up of fair value of investments is:

| | 2023 (Un-audited) | | 2022 (Audited) | |
|-------------------------------|-------------------|------------|----------------|------------|
| | Rs. in '000 | Percentage | Rs. in '000 | Percentage |
| Shares in quoted securities | 41,931 | 13.7% | 55,576 | 11.3% |
| Shares in unlisted securities | - | 0.0% | 4,149 | 0.8% |
| Listed Debt Instruments | 85,000 | 27.8% | 50,000 | 10.2% |
| Government securities | 16,300 | 5.3% | 16,300 | 3.3% |
| Mutual funds | 49,682 | 16.2% | 301,774 | 61.5% |
| Other Investments | 113,345 | 37.0% | 62,527 | 12.8% |
| | 306,258 | 100% | 490,326 | 100% |

The investments out of provident fund trust have not been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

Notes to the consolidated financial statements

For the year ended 30 June 2023

53 SERVICE FUND TRUST

The following information is based on the latest un-audited financial statements of the Service Fund Trust:

| | Un-audited 2023 | Un-audited 2022 |
|---------------------------------|----------------------|--------------------|
| | (Rupees in thousand) | |
| Size of the fund - total assets | 260,122 | 252,486 |
| Cost of investments made | 104,805 | 70,724 |
| Percentage of investments made | 37% | 28% |
| Fair value of investments | 96,645 | 70,183 |

The break-up of fair value of investments is:

| | 2023 (Un-audited) | | 2022 (Audited) | |
|-----------------------------|-------------------|------------|----------------|------------|
| | Rs. in '000 | Percentage | Rs. in '000 | Percentage |
| Shares in quoted securities | 30,953 | 32.0% | 36,084 | 51.4% |
| Government securities | 15,000 | 15.5% | 15,000 | 21.4% |
| Mutual funds | 16,611 | 17.2% | | |
| Listed Debt Instruments | 34,081 | 35.3% | 19,099 | 27.2% |
| | 96,645 | 100% | 70,183 | 100% |

The investments out of service fund trust have been made in accordance with the provisions of section 218 of the Companies Act.

54 GENERAL

The figures have been rounded off to nearest rupee unless otherwise stated.

55 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on September 28, 2023 by the Board of Directors of the Holding Company.

56 EVENTS AFTER BALANCE SHEET DATE

The Board of Directors in their meeting held on August 03, 2023 proposed to issue further 192,307,692 ordinary shares with a face value of PKR 10/- each, as right shares. The Company has issued draft Offer Letter to Stock Exchange for its review/ comments.

The right shares will be offered to the members in proportion of 107.60 right shares for every 100 ordinary shares held, which corresponds to 107.60% of the total paid-up capital of the Company at a price of PKR 13/- per right shares. This price includes a premium of PKR 3/- per right share. These unconsolidated financial statements do not reflect these issuance of right shares.

LAHORE
28th September 2023


Syed Sheharyar Ali
Chief Executive Officer


Mohtashim Aftab
Group Chief Financial Officer


Syed Shahid Ali
Director

INVESTORS'
INFORMATION

SHAREHOLDERS

INFORMATION

PATTERN OF SHAREHOLDING

(Section 227(2)(f))

PATTERN OF SHAREHOLDING

1.1 Name of the Company: **TREET CORPORATION LIMITED**

2.1. Pattern of holding of the shares held by the shareholders as at **30-06-2023**

| 2.2 No. of Shareholders | Shareholdings | | Total Shares Held |
|-------------------------|---------------|---------|-------------------|
| | From | To | |
| 1,419 | 1 | 100 | 48,447 |
| 1,681 | 101 | 500 | 631,737 |
| 1,442 | 501 | 1,000 | 1,268,921 |
| 3,028 | 1,001 | 5,000 | 8,099,059 |
| 874 | 5,001 | 10,000 | 6,686,700 |
| 336 | 10,001 | 15,000 | 4,239,510 |
| 194 | 15,001 | 20,000 | 3,520,567 |
| 124 | 20,001 | 25,000 | 2,857,561 |
| 91 | 25,001 | 30,000 | 2,565,460 |
| 46 | 30,001 | 35,000 | 1,524,539 |
| 44 | 35,001 | 40,000 | 1,715,923 |
| 22 | 40,001 | 45,000 | 943,651 |
| 45 | 45,001 | 50,000 | 2,217,137 |
| 28 | 50,001 | 55,000 | 1,489,973 |
| 12 | 55,001 | 60,000 | 703,900 |
| 16 | 60,001 | 65,000 | 998,157 |
| 14 | 65,001 | 70,000 | 959,915 |
| 7 | 70,001 | 75,000 | 509,400 |
| 11 | 75,001 | 80,000 | 870,800 |
| 9 | 80,001 | 85,000 | 739,150 |
| 5 | 85,001 | 90,000 | 439,530 |
| 9 | 90,001 | 95,000 | 841,692 |
| 15 | 95,001 | 100,000 | 1,494,000 |
| 5 | 100,001 | 105,000 | 518,295 |
| 5 | 105,001 | 110,000 | 535,193 |
| 4 | 110,001 | 115,000 | 455,500 |
| 4 | 115,001 | 120,000 | 470,936 |
| 4 | 120,001 | 125,000 | 493,677 |
| 5 | 125,001 | 130,000 | 635,792 |

SHAREHOLDERS

INFORMATION

| No. of Shareholders | Shareholdings | | Total Shares Held |
|---------------------|---------------|---------|-------------------|
| | From | To | |
| 2 | 130,001 | 135,000 | 265,975 |
| 4 | 135,001 | 140,000 | 555,500 |
| 5 | 145,001 | 150,000 | 747,000 |
| 3 | 150,001 | 155,000 | 459,964 |
| 1 | 155,001 | 160,000 | 160,000 |
| 3 | 160,001 | 165,000 | 491,000 |
| 2 | 165,001 | 170,000 | 334,000 |
| 1 | 180,001 | 185,000 | 180,500 |
| 2 | 185,001 | 190,000 | 376,000 |
| 2 | 190,001 | 195,000 | 390,000 |
| 4 | 195,001 | 200,000 | 800,000 |
| 1 | 200,001 | 205,000 | 204,351 |
| 1 | 205,001 | 210,000 | 210,000 |
| 1 | 210,001 | 215,000 | 212,000 |
| 2 | 215,001 | 220,000 | 437,000 |
| 3 | 220,001 | 225,000 | 663,083 |
| 1 | 225,001 | 230,000 | 225,700 |
| 3 | 230,001 | 235,000 | 699,000 |
| 2 | 245,001 | 250,000 | 497,500 |
| 2 | 250,001 | 255,000 | 500,913 |
| 1 | 255,001 | 260,000 | 259,500 |
| 1 | 260,001 | 265,000 | 264,000 |
| 1 | 265,001 | 270,000 | 267,500 |
| 2 | 270,001 | 275,000 | 549,134 |
| 3 | 275,001 | 280,000 | 830,267 |
| 2 | 280,001 | 285,000 | 567,834 |
| 1 | 290,001 | 295,000 | 292,500 |
| 1 | 295,001 | 300,000 | 300,000 |
| 1 | 305,001 | 310,000 | 307,430 |
| 1 | 310,001 | 315,000 | 314,500 |
| 2 | 315,001 | 320,000 | 319,700 |
| 1 | 320,001 | 325,000 | 645,862 |

SHAREHOLDERS

INFORMATION

| No. of Shareholders | Shareholdings | | Total Shares Held |
|---------------------|---------------|------------|-------------------|
| | From | To | |
| 1 | 325,001 | 330,000 | 330,000 |
| 1 | 335,001 | 340,000 | 339,066 |
| 1 | 355,001 | 360,000 | 355,453 |
| 1 | 370,001 | 375,000 | 374,000 |
| 1 | 390,001 | 395,000 | 390,500 |
| 1 | 410,001 | 415,000 | 415,000 |
| 1 | 435,001 | 440,000 | 440,000 |
| 1 | 465,001 | 470,000 | 466,000 |
| 3 | 495,001 | 500,000 | 1,500,000 |
| 1 | 520,001 | 525,000 | 524,382 |
| 1 | 555,001 | 560,000 | 557,000 |
| 1 | 600,001 | 605,000 | 604,500 |
| 1 | 620,001 | 625,000 | 622,128 |
| 1 | 640,001 | 645,000 | 644,000 |
| 1 | 655,001 | 660,000 | 657,577 |
| 1 | 720,001 | 725,000 | 725,000 |
| 1 | 885,001 | 890,000 | 888,850 |
| 1 | 950,001 | 955,000 | 952,000 |
| 1 | 995,001 | 1,000,000 | 1,000,000 |
| 1 | 1,145,001 | 1,150,000 | 1,150,000 |
| 1 | 1,700,001 | 1,705,000 | 1,703,108 |
| 1 | 1,885,001 | 1,890,000 | 1,890,000 |
| 1 | 1,915,001 | 1,920,000 | 1,919,000 |
| 1 | 3,010,001 | 3,015,000 | 3,014,000 |
| 1 | 3,995,001 | 4,000,000 | 4,000,000 |
| 1 | 4,835,001 | 4,840,000 | 4,837,958 |
| 1 | 11,560,001 | 11,565,000 | 11,563,714 |
| 1 | 18,910,001 | 18,915,000 | 18,913,152 |
| 1 | 56,140,001 | 56,145,000 | 56,141,899 |
| 9,592 | | | 178,721,122 |

SHAREHOLDERS

INFORMATION

| | | No. of Share-holders | No. of Shares Held | No. of Share-holders | No. of Shares Held | No. of Share-holders | No. of Shares Held | | |
|--------------------------|----------------------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|--------|--|
| | | CDC* | CDC* | Physical | Physical | TOTAL | TOTAL | % | |
| Syed Shahid Ali | Director | 1 | 56,141,899 | - | - | 1 | 56,141,899 | 31.41% | |
| Syed Sheharyar Ali | Director | 1 | 18,913,152 | - | - | 1 | 18,913,152 | 10.58% | |
| Ms. Sidra Fatima Sheikh | Director | - | - | - | - | - | - | 0% | |
| Imran Azim | Director - Nominee NIT | - | - | - | - | - | - | 0.00% | |
| Munir Karim Bana | Director - Nominee Loads Limited | 1 | 250,313 | - | - | 1 | 250,313 | 0.14% | |
| Dr. Salman Faridi | Director | 1 | 110 | - | - | 1 | 110 | 0.00% | |
| Dr. Haroon Latif Khan | Director | - | - | - | - | - | - | 0.0% | |
| Loads Limited | Associated Company | 1 | 4,837,958 | - | - | 1 | 4,837,958 | 2.70% | |
| NIT & ICP | | 3 | 11,623,762 | - | - | 3 | 11,623,762 | 6.50% | |
| Foreign Company | | 1 | 150,000 | - | - | 1 | 150,000 | 0.08% | |
| Bank, DFI, Insurance | | 9 | 6,477,674 | - | - | 9 | 6,477,674 | 3.62% | |
| Joint Stock Companies | | 80 | 5,981,866 | - | - | 80 | 5,981,866 | 3.38% | |
| Mutual & Pension Funds | | 8 | 1,280,654 | - | - | 8 | 1,280,654 | 0.72% | |
| Federal Board of Revenue | Government Holding | 1 | 274,134 | - | - | 1 | 274,134 | 0.15% | |
| Modaraba | | 1 | 67,500 | - | - | 1 | 67,500 | 0.03% | |
| Others | | 8 | 413,222 | - | - | 8 | 413,222 | 0.23% | |
| Individual | | 7,941 | 70,863,369 | 1,535 | 1,445,509 | 9,476 | 72,721,122 | 40.46% | |
| | | 8,057 | 177,275,613 | 1,535 | 1,445,509 | 9,592 | 178,721,122 | 100% | |

*based on no. of accounts in CDC / folios

SHAREHOLDERS HOLDING 5% SHARES OR MORE

| Sr. No. | Name of Shareholder | Shares |
|---------|--|------------|
| 1 | SYED SHAHID ALI | 56,141,899 |
| 2 | SYED SHEHARYAR ALI | 18,913,152 |
| 3 | CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC) | 11,563,714 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN, that Annual General Meeting of the shareholders of Treet Corporation Limited (the "Company") will be held on Friday, October 27, 2023 at 11:00 A.M. at **72-B, Industrial Area, Kot Lakhpat, Lahore (Registered Address)** to transact the following business: -

ORDINARY BUSINESS:

1. To confirm the Minutes of the Extraordinary General Meeting held on June 26, 2023.
2. To receive, consider and adopt the Annual Audited Financial Statements (Standalone & consolidated) of the Company for the year ended June 30, 2023, together with the Directors' and Auditors' Reports thereon.
3. To appoint External Auditors of the Company for the year ending June 30, 2024 and to fix their remuneration. M/S Yousaf Adil & Co, Chartered Accountant have offered themselves for appointment.
4. The approval of shareholder in accordance with S.R.O. 389 (I)/2023.- In exercise of the powers conferred by Section 510(1), 223(6) and 223(6) of the Companies Act, 2017 (the "Act"), with the provision of the Electronic Transaction Ordinance, 2002 and in supersession/partial modification of the notification S.R.O 787 (I)/2014, to circulate the annual balance sheet and profit and loss account, auditor's report and directors report, etc ("Annual Audited Financial Statements") to its shareholders through QR enable code and weblink subject to fulfilment of requirements.

SPECIAL BUSINESS:

5. Approval of Remuneration of Chairman of the Board of Directors of the Company:

To approve the remuneration of Chairman of the Board of Directors of Treet Corporation Limited amounting to Rs. 5 (five) million per month for a term of three years, effective from July 01, 2023. Allowances, and other benefits shall be given as per the Company Policy.

RESOLVED THAT pursuant to the provisions of the Companies Act, 2017, and the Articles of Association of the Company, approval be and is hereby granted to pay remuneration to Syed Shahid Ali, the Chairman of the Board of Directors, in the amount of Rs. 5 (five) million per month, effective from July 01, 2023 for a period

of three years, ending on June 30, 2026, for his services to the Company.

FURTHER RESOLVED THAT this remuneration shall be in consideration of Syed Shahid Ali's extensive industry experience, leadership, mentorship, and continued contributions to the success and growth of the Company.

FURTHER RESOLVED THAT the Board of Directors are authorized to take all necessary actions, including the execution of any agreements or documents, to give effect to this resolution."

6. (i) To consider and if thought fit, pass the following Special Resolution under Section 199 of the Companies Act, 2017, with or without modification(s), addition(s) and/or deletion(s):

FURTHER RESOLVED THAT, the approval of the shareholders of the Company be and is hereby accorded in terms of Section 199 of the Companies Act, 2017 (the "Act") and Regulation 5(5) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017 (the "Regulations") and subject to the compliance with all statutory and legal requirements, to give a loan of up to PKR 200,000,000/- (Rupees Two Hundred Million Only) to First Treet Manufacturing Modaraba ("FTMM"), being an associated undertaking, in the form of a working capital loan, for a period of one year starting from the date of approval by shareholders.

FURTHER RESOLVED THAT, that approval of the shareholders of the Company be and is hereby accorded in terms of Section 199 of the Act and Regulation 5(5) of Regulations and subject to the compliance with all statutory and legal requirements, to give a cross corporate guarantee and/or to ear mark un-funded financial facilities for opening letters of credit and/or guarantees of up to PKR 2,495,000,000/- (Rupees Two Billion Four Hundred Ninety Five Million Only) to FTMM, being an associated undertaking, for a period of one year starting from the date of approval by shareholders.

NOTICE OF ANNUAL GENERAL MEETING

FURTHER RESOLVED THAT, the rate of return (if any) for ear marked non-funded/funded facilities pursuant to the above resolutions shall be charged to the subsidiary/associated company at the same rate as charged by the bank to the Company.

(ii) To consider and if thought fit, pass the following Special Resolution under Section 199 of the Companies Act, 2017, with or without modification(s), addition(s) and/or deletion(s):

FURTHER RESOLVED THAT, the approval of the shareholders of the Company be and is hereby accorded in terms of Section 199 of the Act and, Regulation 5(5) of the Regulations and subject to the compliance with all statutory and legal requirements, to give a loan of up to PKR 450,000,000/- (Rupees Four Hundred and Fifty Million Only) to Renacon Pharma Limited ("RPL"), being an associated undertaking, in the form of a working capital loan, for a period of one year starting from the date of approval by shareholders.

FURTHER RESOLVED THAT, that approval of the shareholders of the Company be and is hereby accorded in terms of Section 199 of the Act and Regulation the Regulations and subject to the compliance with all statutory and legal requirements, to give a cross corporate guarantee and/or to ear mark un-funded financial facilities for opening letters of credit and/or guarantees of up to PKR 1,500,000,000/- (Rupees One Billion Five Hundred Million Only) to Renacon Pharma Limited ("RPL"), being an associated undertaking, for a period of one year starting from the date of approval by shareholders.

FURTHER RESOLVED THAT, the rate of return (if any) for ear marked non-funded/funded facilities pursuant to the above resolutions shall be charged to the subsidiary/associated company at the same rate as charged by the bank to the Company.

(iii) To consider and if thought fit, pass the following Special Resolution under Section 199 of the Companies Act, 2017, with or without modification(s), addition(s) and/or deletion(s):

RESOLVED THAT, the approval of the shareholders of the Company be and is hereby accorded in terms of Section 199 of the Act

and Regulation 5(5) of the Regulations and subject to the compliance with all statutory and legal requirements, to give a loan of up to PKR 7,000,000/- (Rupees Seven Million Only) to Treet Power Limited ("TPL"), being an associated undertaking, in the form of working capital loan, for a period of one year starting from the date of approval by Shareholders.

(iv) To consider and if thought fit, pass the following Special Resolution under Section 199 of the Companies Act, 2017, with or without modification(s), addition(s) and/or deletion(s):

RESOLVED THAT, the approval of the shareholders of the Company be and is hereby accorded in terms of Section 199 of the Act and Regulation 5(5) of the Regulations and subject to the compliance with all statutory and legal requirements, to give a loan of up to PKR 3,000,000/- (Rupees Three Million Only) to Treet HR Management (Private) Limited ("THRM"), being an associated undertaking, in the form of working capital loan, for a period of one year starting from the date of approval by Shareholders.

(v) To consider and if thought fit, pass the following Special Resolution under Section 199 of the Companies Act, 2017, with or without modification(s), addition(s) and/or deletion(s):

RESOLVED THAT, the approval of the shareholders of the Company be and is hereby accorded in terms of Section 199 of the Act and Regulation 5(5) of the Regulations and subject to the compliance with all statutory and legal requirements, to give a loan of up to PKR 4,500,000,000/- (Rupees Four Billion Five Hundred Million Only) to Treet Battery Limited ("TBL"), being an associated undertaking, in the form of working capital loan, for a period of one year starting from the date of approval by Shareholders.

RESOLVED THAT, that approval of the shareholders of the Company be and is hereby accorded in terms of Section 199 of the Act and Regulation 5(5) of the Regulations and subject to the compliance with all statutory and legal requirements, to give a cross corporate guarantee and/or to ear mark un-funded financial facilities for opening letters of credit and/or guarantees of up to PKR 3,360,000,000/- (Rupees Three Billion Three Hundred Sixty

NOTICE OF ANNUAL GENERAL MEETING

Million Only) in Treet Battery Limited ("TBL"), being an associated undertaking for a period of one year starting from the date of approval by shareholders.

FURTHER RESOLVED THAT, the rate of return (if any) for ear marked non-funded/funded facilities pursuant to the above resolutions shall be charged to the subsidiary/associated company at the same rate as charged by the bank to the Company.

(vi) To consider and if thought fit, pass the following Special Resolution under Section 199 of the Companies Act, 2017, with or without modification(s), addition(s) and/or deletion(s):

RESOLVED THAT, that approval of the shareholders of the Company be and is hereby accorded in terms of Section 199 of the Act and Regulation 5(5) of the Regulations and subject to the compliance with all statutory and legal requirements, to give a cross corporate guarantee up to PKR 700,000,000/- (Rupees Seven Hundred Million Only) in favour of DFIs/ FIs/Banks for and on behalf of its group concern i.e M/S Loads Limited (the associated company) to accommodate for arrangement of funds under commercial paper/ short term sukuk, etc. This resolution is valid for a period of one year starting from the date of approval by shareholders.

- 7. To ratify and approve arm's length transactions carried out with associated companies/ undertakings in the normal course of business in accordance with Section 208 of the Companies Act 2017:**

RESOLVED THAT, the related party transactions carried out in the normal course of business with associated companies/undertakings as disclosed in respective notes to the Audited Financial Statements for the year ended June 30, 2023 be and are hereby ratified, approved and confirmed;

FURTHER RESOLVED THAT, the Chief Executive Officer of the Company be and is hereby authorized to approve all related party transactions carried out in the normal course of business with associated companies/ undertakings during the year ended June 30, 2023 and in this regard the Chief Executive Officer be and is hereby also authorized to take

any and all necessary actions and sign/execute any and all documents/indentures as may be required on behalf of the Company.

- 8. To authorize the Board of Directors of the Company to approve transactions with related parties for the financial year ending June 30, 2024 by passing the following special resolution with or without modifications:**

RESOLVED THAT, the Board of the Company be and is hereby authorized to approve the transactions to be conducted with related parties on case to case basis for the financial year ending June 30, 2024;

FURTHER RESOLVED THAT, these transactions by the Board shall be deemed to have been approved by the shareholders and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/ approval.

- 9. To transact any other business with the permission of the Chair.**

By Order of the Board



(Zunaira Dar)
Company Secretary

Lahore: October 05, 2023

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. CLOSURE OF SHARE TRANSFER BOOKS

The share transfer Books of the Company will remain closed from October 21, 2023 to October 27, 2023 (both days inclusive) for the purpose of attending Annual General Meeting. Transfers received in order at the office of our Share Registrar M/s Corplink (Private) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore at the close of business on October 20, 2023 will be treated in time for payment of the final dividend to the transferees.

2. PARTICIPATION IN THE ANNUAL GENERAL MEETING

All members entitled to attend and vote at this Meeting may appoint another person as his/her proxy to attend and vote for him / her. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting. CDC Accounts Holders will further have to follow the guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan. Proxy form is available at the Company's website i.e. <https://treetcorp.com/regulatory-information/>

(i) For Attending the Meeting

- (a) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the Regulations, shall authenticate their identity by showing his/ her original National Identity Card ("CNIC") or original passport at the time of attending the meeting.
- (b) In case of corporate entity, Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of the meeting.

(ii) For Appointing Proxies

- (a) In case of individuals, the account holder or sub-account holder is and/or the person whose securities are in group account and

their registration detail is uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.

- (b) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - (c) Attested copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - (d) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
 - (e) In case of corporate entities, board of directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless provided earlier) along with the proxy form to Company.
 - (f) The Form of Proxy is enclosed herewith.
- Members holding shares in physical form are requested to promptly notify Shares Registrar of the Company of any change in their addresses. Shareholders maintaining their shares in electronic form should have their address updated with their participant or CDC Investor Accounts Service.
 - Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.
 - In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/participant/CDC account services. No further action is required if IBAN has already been incorporated/updated in the CDC account or physical folio of the shareholder.
 - Pursuant to SRO 787(1)/2014 dated September 08, 2014 and SRO 470(1)/2016 dated 31, 2016, Securities and Exchange Commission of Pakistan (SECP) has allowed companies to circulate it audited financial statement to its shareholders through Email /CD /DVD /USB or any other electronic media at their registered addresses.

NOTICE OF ANNUAL GENERAL MEETING

- The Financial Statements of the Company for the year ended June 30, 2023 along with reports have been placed on the website of the Company: <https://treetcorp.com/regulatory-information/>.
- As per Section 72(2) of the Companies Act, 2017, every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four (4) years from the commencement of the Act, i.e., May 30, 2017. Those Shareholders having physical shareholding are encouraged to open a CDC Sub - Account with any Broker or Investor Account directly with CDC to place their physical shares into scrip less form. This will facilitate them in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange Limited.

STATEMENTS OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 RELATING TO THE SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING.

AGENDA ITEM 5: Approval of Remuneration of Chairman as per section 75 of Article of Association and section 171(1)(c)(i) of the Companies Act, 2017.

As per section 75 of the Articles of Association of the Company, the Board of Directors has to determine the remuneration of Chairman. The approval of the chairman's remuneration as 'Non-Executive Director' as per section 171 (1) (c)(i) of the Companies Act, 2017 required to be approved by Shareholders. The remuneration of Chairman Syed Shahid Ali has already been approved by the board of directors in their meeting held on June 26, 2023.

Syed Shahid Ali being sponsor Director, has been CEO of the Company since 1995, making significant contributions to its growth and success. He has played a pivotal role in shaping the Company and his extensive experience,

knowledge, and continued insight are considered invaluable to the Company's continued progress and the Board feels that it is important to acknowledge Syed Shahid Ali's contributions and retain his services for the benefit of the Company.

The Board of Directors of Treet Corporation Limited, believe it is in the best interests of the Company and its shareholders to provide remuneration to our Chairman, Syed Shahid Ali, who has served the Company for an extended period and continues to contribute significantly to its success. We present the following justification for the Chairman's remuneration:

Syed Shahid Ali has dedicated a substantial portion of his professional life to Treet Corporation Limited and the industry in which we operate. It has been decided by the Board of Directors of the Company that Syed Shahid Ali should continue to provide special consultancy services, strategic direction and guidance to the current executive team and the Board of Directors, in lieu of a reasonable compensation.

NOTICE OF ANNUAL GENERAL MEETING

AGENDA ITEMS 6, 7 & 8

Information to be disclosed pursuant to Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 (the "Regulations").

| Name of Associated/ Subsidiary Companies | First Treet Manufacturing Modaraba | Renacon Pharma Limited | Treet Power Limited | Treet HR Management (Private) Limited | Treet Battery Limited | Corporate Guarantee/Ear-marking of its Un-Funded/Funded Facilities |
|--|--|--|---|---|---|--|
| Name of the associated company or associated undertaking along with criteria based on which the associated relationship is | First Treet Manufacturing Modaraba (FTMM) The Company owns 97.11% of certificates of FTMM and holds 100% of the shares of Treet Holdings Limited, being the Modaraba company managing FTMM which holds 2.22% in FTMM. | Renacon Pharma Limited (RPL) is setting up hemodialysis concentrates plant in Faisalabad; RPL is Subsidiary of the company by directly owning 55.86% shares capital. | Treet Power Limited (TPL) is a subsidiary by indirectly owning 100.00% share capital through its directly owned subsidiary THL. | Treet HR Management (Private) Limited (THRM) is a subsidiary by indirectly owning 100.00% share capital through its directly owned subsidiary THL. | Treet Battery Limited ("TBL") is a subsidiary of the Company by directly owning 97.10% share capital. | <ul style="list-style-type: none"> • First Treet Manufacturing Modaraba • Renacon Pharma Limited • Treet Battery Limited • Loads Limited |
| Earnings per share for the last three years | 2020: (15.34) 2021: (2.42) 2022: (0.63) | 2020: 0.46 2021: (0.08) 2022: 0.5 | 2020: (0.08) 2021: (0.52) 2022: (0.52) | 2020: 18.42 2021: 7.36 2022: 19.06 | 2020: 0.72 2021: 0.13 2022: 0.31 | Not Applicable |
| Breakup value per share, based on latest audited financial statements | 3.4 | 14.3 | (5.9) | 100 | 1.5 | Not Applicable |
| Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements; | FTMM is listed Modaraba. Detailed accounts are available at https://treetcorp.com/financial-reports/ . | | | | | Detailed accounts are available at www.treetcorp.com . |
| a description of the project and its history since conceptualization; | <p>First Treet Manufacturing Modaraba ("FTMM" or the "Modaraba") is a multipurpose, perpetual and multidimensional Modaraba and is managed by Treet Holdings Limited and is engaged in the manufacture and sale of corrugated boxes and soaps.</p> <p>Information memorandum is available at www.treetcorp.com and also available in the Financial Statements (for 2022-2023) of the Company.</p> | Renacon Pharma Limited ("RPL") is a prominent Hemodialysis Concentrates manufacturer in Pakistan. The Company obtained its manufacturing license in 1998 and subsequently replaced majority market of the old Acetate solution with its newer Bicarbonate Concentrate solution within 5 years of introduction. | The company was incorporated in Pakistan on September 18, 2006 as a private company limited by shares under the Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017). The company is engaged in the business of rendering professional & technical services and providing related workforce to the host companies / customers under service agreements. | Tree! Power Limited is incorporated on November 20, 2007 in Pakistan. The company is a wholly owned subsidiary of Tree! Holdings Limited, which is also a wholly owned subsidiary of Treet Corporation Limited - an ultimate parent, a listed company. At present the company is planning to set up an Electric Power Generation Project for generating, distribution and selling of Electric Power, which is kept in abeyance in order to complete other projects of the Group Companies of Treet Corporation Limited. | Treet Battery Limited carry out business as manufacturers, assemblers, processors, suppliers, sellers, importers, exporters, makers, fabricators and dealers in all batteries including but not limited to lead acid batteries, deep cycle batteries, lithium batteries, nickel cadmium batteries, nickel metal hybrid batteries, absorbed glass mat batteries, gel batteries | Not Applicable |

NOTICE OF ANNUAL GENERAL MEETING

| | | | | | | |
|---|---|---|--|---|---|---|
| | | Information memorandum is available at www.treetcorp.com and also available in the Financial Statements (for 2022-2023) of the Company. | The name of the company have been changed from that of TCL Labor Hire Company (Private) Limited to that of Treet HR Management (Private) Limited w.e.f December 31, 2014 after complying with the legal formalities. The registered office of the company is situated at 72-B, industrial Area Kot lakh pat, Lahore The company is a wholly owned subsidiary of M/s Treet Holdings Limited, which is also a wholly owned subsidiary of M/s Treet Corporation Limited an ultimate parent, a listed company. | | | |
| starting date and expected date of completion; | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| time by which such project shall become commercially operational; | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| expected return on total capital employed in the project; and | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| funds invested of to be invested by the promoters distinguishing between cash and non-cash amounts: | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| Total amount of loans or advances or guarantee; | Up to an extent of Rs.200 million | Up to an extent of Rs. 450 million | Up to an extent of Rs. 7.0 million | Up to an extent of Rs. 3.0 million | Up to an extent of Rs. 4,500 million | FTMM: 2,495 million RPL: 1,500 million TBL: 3,360 million Loads: 700 million |
| Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances; | To meet the working capital requirements of the company. | To meet the working capital requirements of the company. | To meet the working capital requirements of the company. | To meet the working capital requirements of the company. | To meet the working capital requirements of the company. | To meet the letter of credit/guarantee requirements of above subsidiaries/ associated concern |
| in case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof; | Approval from shareholders is being sought to Avail borrowing levels up to Rs. 200 million. | Approval from shareholders is being sought to Avail borrowing levels up to Rs. 450 million. | Approval from shareholders is being sought to Avail borrowing levels up to Rs. 7.0 million. | Approval from shareholders is being sought to Avail borrowing levels up to Rs. 3.0 million. | Approval from shareholders is being sought to Avail borrowing levels up to Rs. 4,500 million. | Not Applicable |

NOTICE OF ANNUAL GENERAL MEETING

| | | | | | | |
|--|---|--|--|--|--|--|
| average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period; | Average borrowing cost of the investing company | Average borrowing cost of the investing company | Average borrowing cost of the investing company | Average borrowing cost of the investing company | Average borrowing cost of the investing company | Not Applicable |
| rate of interest, mark up, profit, fees or commission etc. to be charged; | Equivalent cost (average rate of investing) to be charged to the borrowing subsidiary | Equivalent cost (average rate) to be charged to the borrowing subsidiary | Equivalent cost (average rate) to be charged to the borrowing subsidiary | Equivalent cost (average rate) to be charged to the borrowing subsidiary | Equivalent cost (average rate) to be charged to the borrowing subsidiary | The rate of return (if any) ear marked non-funded/Funded facilities pursuant to the above resolutions shall be charged to the subsidiary/ associated company at the same rate as charged by the bank to the Company. |
| sources of funds from where loans or advances will be given; | Own Source | Own Source | Own Source | Own Source | Own Source | Not Applicable |
| where loans or advances are being granted using borrowed funds, | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| justification for granting loan or advance out of borrowed funds; | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| detail of guarantees / assets pledged for obtaining such funds, if any; and | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Floating Charge over Current Assets [current and future] of the Company through supplemental charge [letter of hypothecation]. |
| repayment schedules of borrowing of the investing company; | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any; | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| if the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |

NOTICE OF ANNUAL GENERAL MEETING

| | | | | | | |
|---|--|--|--|--|---|--|
| repayment schedule and terms of loans or advances to be given to the investee company; | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment; | Agreements with subsidiary will be available at the AGM for review of the shareholders | Agreements with subsidiary will be available at the AGM for review of the shareholders | Agreements with subsidiary will be available at the AGM for review of the shareholders | Agreements with subsidiary will be available at the AGM for review of the shareholders | Agreements with subsidiary will be available at the AGM for review of the shareholders | Agreements with subsidiary will be available at the AGM for review of the shareholders |
| direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration; | Syed Shahid Ali, Syed Sheharyar Ali are directors in the Company and on the Board of Treet Holdings Limited (Modaraba Management Company). | Syed Shahid Ali, Syed Sheharyar Ali are directors in the Company | THL major shareholder in the Company | Syed Shahid Ali, Syed Sheharyar Ali and Munir Karim Bana are directors in the Company and on the Board of Treet Power Limited. | Syed Shahid Ali and Syed Sheharyar Ali are directors in the Company and on the board of TBL | Common Directorship |
| any other important details necessary for the members to understand the transaction; and | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| in case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely, | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |

Interest of Investee Company, its Sponsors and Directors in the Company:

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated companies.

Audited Financial Statements of Investee Companies:

As required by Regulation 4(3) of the Regulations, following financial statements of First Treet Manufacturing Modaraba, Renacon Pharma Limited, Treet Battery Limited, Treet Power Limited and Treet HR Management (Private) Limited shall be made available for inspection by the members at the meeting, namely:

Annual Audited Accounts for the year ended June 30, 2023
 Annual Audited Accounts for the year ended June 30, 2022
 Annual Audited Accounts for the year ended June 30, 2021

Due Diligence Undertaking of Directors:

The Directors of the Company hereby certify to the Members that the Directors have, as required by Regulation 3(3) of the Regulations, carried out the requisite due diligence of associated Companies/ Subsidiaries for the investment mentioned in table.

The recommendations of the said due diligence report are duly signed under the authority of the Directors will be made available for inspection by the members at the meeting;

KEY OPERATING FINANCIAL DATA

| Rs. In 000 | 2023 | 2022 | 2021 | 2020* | 2019* | 2018 | 2017 | 2016 |
|--|----------------|----------------|----------------|----------------|----------------|-------------|-------------|-------------|
| Sales | 23,352,714.00 | 15,789,922.63 | 14,191,739.00 | 11,111,578.00 | 11,972,060.00 | 9,410,276 | 8,418,188 | 7,615,231 |
| Export Sales | 3,533,808.00 | 2,312,984.00 | 2,529,246.00 | 2,058,400.00 | 2,538,191.00 | 2,087,699 | 1,877,190 | 1,875,341 |
| Gross Profit | 5,126,070.00 | 2,669,057.83 | 2,546,931.00 | 1,309,592.00 | 1,246,890.00 | 1,757,390 | 2,014,884 | 1,804,382 |
| Profit / (Loss) before Taxation | 281,421.00 | (55,693.36) | 1,122,436.00 | (2,555,424.00) | (1,948,764.00) | (478,835) | 304,576 | 267,796 |
| Profit / (Loss) after Taxation | 28,385.00 | (302,990.36) | 547,885.00 | (2,655,891.00) | (2,125,246.00) | (630,512) | 215,910 | 214,314 |
| Shareholders' Equity+ Revaluation Surplus | 9,854,982.00 | 9,669,359.30 | 10,104,504.00 | 6,794,847.00 | 9,060,834.00 | 9,065,394 | 9,281,533 | 8,798,692 |
| Fixed Asset-Net | 17,041,598.00 | 17,033,352.39 | 16,947,483.00 | 13,990,499.00 | 16,256,605.00 | 13,308,050 | 11,383,772 | 7,840,611 |
| Total Assets | 27,122,047.00 | 25,322,820.39 | 25,785,498.00 | 22,723,219.00 | 24,731,935.00 | 21,001,871 | 17,777,635 | 12,544,365 |
| Total Liabilities | 17,267,465.00 | 15,653,462.63 | 15,680,993.00 | 15,928,372.00 | 15,671,101.00 | 11,936,477 | 8,496,102 | 3,745,673 |
| Current Assets | 9,300,403.00 | 7,275,236.00 | 6,980,868.00 | 5,996,172.00 | 7,740,609.00 | 7,025,973 | 5,717,417 | 4,335,134 |
| Current Liabilities | 12,866,933.00 | 13,124,813.21 | 13,873,960.00 | 15,021,936.00 | 15,188,379.00 | 11,419,384 | 7,828,940 | 2,866,738 |
| Cash Dividend | 0% | 0% | 10% | 0% | 0% | 0% | 0% | 10% |
| Stock Dividend | 0% | 0% | 0% | 0% | 0% | 0% | 10% | 0% |
| Share Outstanding | 178,721,122.00 | 178,721,122.00 | 174,834,322.00 | 169,831,322.00 | 165,450,942.00 | 160,084,685 | 142,143,666 | 137,804,309 |
| * Restated | | | | | | | | |
| Important Ratios | 2023 | 2022 | 2021 | 2020* | 2019* | 2018 | 2017 | 2016 |
| Profitability | | | | | | | | |
| Gross Profit | 21.95% | 16.90% | 17.95% | 11.79% | 10.41% | 18.68% | 23.93% | 23.69% |
| Profit before Tax | 1.21% | -0.35% | 7.91% | -23.00% | -16.28% | -5.09% | 3.62% | 3.52% |
| Profit after Tax | 0.12% | -1.92% | 3.86% | -23.90% | -17.75% | -6.70% | 2.56% | 2.81% |
| Return to Equity | | | | | | | | |
| Return on Equity before Tax | 2.86% | -0.58% | 11.11% | -37.61% | -21.51% | -5.28% | 3.28% | 3.04% |
| Return on Equity after Tax | 0.29% | -3.13% | 5.42% | -39.09% | -23.46% | -6.96% | 2.33% | 2.44% |
| Earning per share | (0.00) | (1.77) | 3.24 | (15.46) | (12.69) | (3.97) | 1.45 | 1.59 |
| Liquidity/Leverage | | | | | | | | |
| Current ratio | 0.72 | 0.55 | 0.50 | 0.40 | 0.51 | 0.62 | 0.73 | 1.51 |
| Break-up value per Share | 55.14 | 54.10 | 57.79 | 40.01 | 54.76 | 56.63 | 65.30 | 63.85 |
| Total Liability to Equity | 1.75 | 1.62 | 1.55 | 2.34 | 1.73 | 1.32 | 0.92 | 0.43 |
| % Change | 2023 | 2022 | 2021 | 2020* | 2019* | 2018 | 2017 | 2016 |
| Sales | 47.90% | 11.26% | 27.72% | -7.19% | 27.22% | 11.79% | 10.54% | 10.36% |
| Export Sales | 52.78% | -8.55% | 22.87% | -18.90% | 21.58% | 11.21% | 0.10% | 9.63% |
| Gross Profit | 92.06% | 4.80% | 94.48% | 5.03% | -29.05% | -12.78% | 11.67% | 25.53% |
| Profit Before Taxation | 605.30% | -104.96% | -143.92% | 31.13% | 306.98% | -257.21% | 13.73% | 25.06% |
| Profit after Taxation | 109.37% | -155.30% | -120.63% | 24.97% | 237.07% | -392.03% | 0.74% | -11.52% |
| Shareholders' Equity+Revaluation Surplus | 1.92% | -4.31% | 48.71% | -25.01% | -0.05% | -2.33% | 5.49% | 93.00% |
| Fixed Asset-Net | 0.05% | 0.51% | 21.14% | -13.94% | 22.16% | 16.90% | 45.19% | 86.56% |
| Total Assets | 7.11% | -1.79% | 13.48% | -8.12% | 17.76% | 18.14% | 41.72% | 14.13% |
| Total Liabilities | 10.31% | -0.18% | -1.55% | 1.64% | 31.29% | 40.49% | 126.82% | -6.60% |
| Current Assets | 27.84% | 4.22% | 16.42% | -22.54% | 10.17% | 22.89% | 31.89% | -32.92% |
| Current Liabilities | -1.96% | -5.40% | -7.64% | -1.10% | 33.01% | 45.86% | 173.10% | -3.50% |
| Dividend | | | | | | | -100.00% | 0.00% |
| Shares Outstanding | 0.00% | 2.22% | 2.95% | 2.65% | 3.35% | 12.62% | 3.15% | 155.43% |



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