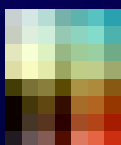


ANNUAL REPORT 2020

Our Ladder of Growth



ANNUAL REPORT 2020

ANNUAL REPORT 2020

(Managed & Controlled By Treet Holdings Limited)

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Company Information

Board of Directors

- | | |
|---------------------------------|---------------------------|
| • Dr. Mrs. Niloufer Qasim Mahdi | (Chairperson) |
| • Syed Shahid Ali | (Chief Executive Officer) |
| • Syed Sheharyar Ali | (Non-Executive Director) |
| • Muhammad Shafique Anjum | (Non-Executive Director) |
| • Mr. Imran Azim | (Non-Executive Director) |
| • Dr. Salman Faridi | (Independent Director) |
| • Mr. Saulat Said | (Non-Executive Director) |
| • Mr. Munir Karim Bana | (Non-Executive Director) |

Chief Executive Officer

- Syed Shahid Ali

Company Secretary

- Ms. Zunaira Dar

Chief Financial Officer

- Mohammad Mohtashim Aftab

External Auditors

- Kreston Hyder Bhimji & Co.
Chartered Accountants Lahore.

External Auditors of Modaraba

- KPMG Taseer Hadi & Co
Chartered Accountants

Legal Advisors

- Salim & Baig Advocate – Lahore
- Khosa & Rizvi

Corporate Advisor

- Cornelius, Lane & Mufti – Advocate

Shariah Advisor

- Mufti Muhammad Javed Hassan

Share Registrar

- Corplink (Private) Limited
Wing Arcade, 1-K Commercial, Model town, Lahore
Tel: 042-35916714
Fax: 042-35839182

Banks

- Al-Baraka Bank Pakistan Limited
- Askari Bank Limited
- Allied Bank Limited
- Bank Islami Pakistan Limited
- Bank Alfalah Limited
- Bank of Punjab
- Bank Al Habib Limited
- Dubai Islamic Bank Pakistan Limited
- Faysal Bank Limited
- Habib Bank Limited
- Habibmetropolitan Bank Limited
- JS Bank Limited
- Meezan Bank Limited
- MCB Bank Limited
- MCB Islamic Bank Limited
- National Bank of Pakistan
- Soneri Bank Limited
- Samba Bank Limited
- Silk Bank Limited
- United Bank Limited

Registered Office

- 72-B, Industrial Area, Kot Lakhpat, Lahore.
Tel: 042-35830881, 35156567 & 35122296
Fax: 042-35114127 & 35215825
E-Mail: info@treetonline.com
Website: www.ftmm.com.pk

Packaging Solutions Corrugation:

- Kacha Tiba Rohi Nala, 22-KM
Ferozpur Road, Lahore.

Soap Plant:

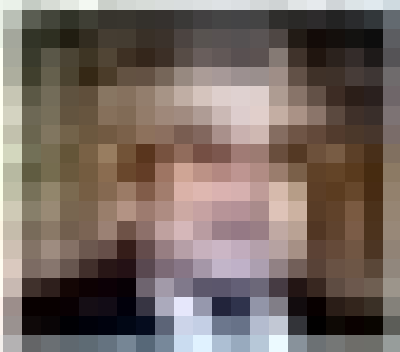
- Ghakkar 80 KM, G.T Road,
Ghakkar Mandi, Gujranwala.

Battery Project:

- Faisalabad Industrial City, (FIEDMC) M-3,
Motorway Faisalabad.



- Treet Holdings Limited
- First Treet Manufacturing Modaraba
- Global Arts Limited
- Cutting Edge (Pvt) Limited
- Gulab Devi Chest Hospital - Kasur
- All Pakistan Music Conference.
- Treet Corporation Limited



- Treet Corporation Limited
- Treet Battery Limited



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• Treet Corporation Limited

• Treet Corporation Limited

• Treet Corporation Limited



• Treet Corporation Limited

• Treet Corporation Limited

• Treet Corporation Limited
• Treet Battery Limited

Mission, Vision Statements

MISSION STATEMENT

Our MISSION is, to satisfy and meet the needs of our customers, providing our products and services with the quality, adjusted to their needs and preferences and to create value for our stakeholders through originality and strict adherence to our principles. We being a conscientious producer, and having stood the test of time, will continue our emphasis on responding to customer need with value added products and services. It is our belief that we can fulfill this mission through a unique combination of industry vision, effective supply chain management and innovative technology.

VISION STATEMENT

To be innovative in our field to the benefit of society, we will fairly compete in quality, technology, sales and marketing expertise, while ensuring sound financial and sustainable growth of the Treet Group for the sake of its stakeholders and reputation.

PRINCIPLE

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

EMPHASIS

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

SOCIAL RESPONSIBILITY

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

CORPORATE VALUES

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

CHAIRPERSON'S REVIEW REPORT



Dear Shareholders,

I am pleased to present the Modaraba annual report for the year ended June 30, 2020 and to comment on the board's effectiveness in guiding the Modaraba towards achievement of its aims and objectives. The Modaraba has a strong governance framework in place, which is instrumental in achieving long-term sustainability and growth. In this regard, the board continues to play an effective role by steering the Modaraba in a direction that focuses on its core business and competencies.

I confirm that the current members of the board have extensive expertise in the areas of business management, strategy, finance, corporate governance, legal and administration. Further, all members of the board are cognizant of their fiduciary duty to the Modaraba and its shareholders and have ensured that this obligation is always a priority.

As chairperson of the board, I affirm that all directors are encouraged to contribute and deliberate on strategic and governance-related topics, and that inputs from the independent directors, the directors representing

minority shareholders, and the directors having relevant experience on such topics are consulted and given due consideration before taking any decision. The board has clearly defined the terms of reference of its committees, and the members are appointed after considering their requisite skills and experience. Further, the board and its committees meet regularly during the year and exercise their governance roles after due deliberation on each matter placed before them.

During 2019-2020, a thorough review of the board and its committees was conducted through our internal Board Evaluation Process, developed in consonance with accepted global practices for evaluating board performance.

We also constantly reviewed aspects of our financial reporting framework, in order to ensure that the Modaraba remained in line with both the latest regulatory requirements and best practices in the industry. On behalf of the board, I take this opportunity to thank all FTMM employees and partners for their hard work throughout the year and our certificateholders and customers for their continued support and look forward to a successful 2020-2021.

DR. MRS. NILOUFER QASIM MAHDI

Chairperson/Non-Executive Director

DIRECTORS' REPORT

We are pleased to present the Directors' Report together with the Financial Statements (audited) for the year ended June 30, 2020.

These accounts have been audited by statutory auditors of the Modaraba and are accompanied by their audit report.

COVID-19 IMPACT

The Financial Year 2020, has witnessed an unprecedented pandemic of COVID 19 that has played havoc on the world's economy, and our economy has been no exception to it. As a result of lock down, our battery production remained closed for almost eight (8) weeks and corrugation and soap production remained partially closed. This has resulted in loss of sales in Battery division of approximately Rs. 252 millions and at Modaraba level the total revenue loss is PKR 639 million. Later on, the plant was operational following compliance of SOPs issued by the Government of the Punjab.

It pleases us to inform you that during the time of this crises, we neither retrenched our permanent nor any contractual employees. Furthermore, we also did not cut down any emoluments of both permanent and contractual employees.

FINANCIAL HIGHLIGHTS

Revenue for the year on consolidated basis is Rs.4,478 million which is 4% less as compared to the last year (2018-19 Rs. 4,654 million). The fall in revenue is primarily attributable to eight (8) weeks lock down due to COVID-19 which had adversely affected the production and sales of the whole Modaraba business. Gross loss for the year is Rs. 837 million. Compared to last year, the loss has reduced by 12%.

Operating loss shows an increase of 18% over the last year. This increase in loss is due to higher management cost charged by the parent company.

Net Loss for the year is Rs. 3,049 billion, which is 27% more as compared to the last year (Loss: 2018-19 Rs. 2,392 billion). The increase in loss is due to higher financial charges which has increased manifold due to increase in the policy rate by the Government.

Rs. in 000'	2019-2020	2018-2019	% Change
Sales (net)	4,477,787	4,653,603	-4%
Gross Profit/(Loss)	(836,920)	(955,231)	-12%
Operating Profit/(loss)	(2,440,972)	(2,072,758)	18%
Net Profit/(Loss)	(3,049,219)	(2,391,792)	27%
Earnings/(Loss) per Certificate	(15.59)	(12.23)	27%
Transfer to Statutory Reserve – Nil% (2019: Nil %)	Nil	Nil	
Book Value per Certificate	(5.15)	10.44	-149%

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

- The current payable to parent company upto to PKR 7.4 billion will be converted into equity after approval from shareholders in their upcoming meeting, and subsequent approval from the regulator.
- As already communicated, spin off Battery segment from its subsidiary (First Treet Manufacturing Modaraba) to separate a Company (Treet Battery Limited) is in progress. Execution of demerger plan is underway. Currently, regulatory and legal approvals are being sought from Financial Institutions and Regulators.

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

1) Raw Material Sourcing:

Trials were conducted on local recycled lead. After extensive testings' local sources have been approved for supply of lead for our batteries. This is expected to bring in cost saving and better payment terms compared to imported lead sources.

2) Battery Prices Rationalization:

An extensive review of Daewoo battery prices vis-à-vis its competitors was carried out. Daewoo batteries are already sold at a premium to its competitors. However, after the review, price increases in the range of 3-10% were implemented for various Daewoo battery models in the second half of the year.

3) Improvement in Plant Efficiency:

Various plant efficiency projects have been initiated which are expected to improve efficiency and reduce operational wastage. This will result in improvement in profitability.

4) Reduction in Administrative Costs:

Daewoo battery plant is state of the art plant specializing in maintenance free and deep cycle batteries. Since no local resources were available to operate and manage such a facility, a team of Korean expats was hired to train local staff and manage the battery plant. Now, after two years of training, the local team has started to take on more responsibilities at the plant. Accordingly, some of the Korean staff has been phased out during second half of 2019-20. Going forward, this will result in reduction of administrative costs of battery division.

SEGMENT-WISE ANALYSIS

Rs. in 000'	Corrugated Packaging		Soap		Battery	
	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019
Gross Sales	1,764,570	2,213,412	927,475	1,093,066	3,118,428	2,541,895
Inter-Segment Sales	12,335	19,631	-	-	-	-
Less: Sales Tax & Excise & Discounts	(255,838)	(324,016)	(157,301)	(192,763)	(931,882)	(697,622)
Total Sales	1,521,067	1,909,027	770,174	900,303	2,186,546	1,844,273
Gross Profit/(Loss)	(57,331)	48,442	74,556	100,011	(854,145)	(1,103,684)
Gross Profit /(Loss) %	-3.77%	2.54%	9.68%	11.11%	-39.06%	-59.84%
Operating Profit/(Loss)	(187,474)	(48,490)	55,586	81,774	(2,309,084)	(2,106,042)

CORRUGATED PACKAGING

The net revenue for the year 2019-20 is Rs.1,521 million which has decreased by 20% as compared to last financial year. The decrease in revenue is due to lesser production due lockdown effect. The business has posted a gross loss of Rs. 57 million compared to a gross profit of Rs. 48 millions. Which was mainly due to increase in raw material cost, higher freight charges and limited pass through impact (i.e. increased cost is not pass through to the customer due to intense competition).

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

SOAPS

The net revenue for the year 2019-20 is Rs.770 million which has decreased by 14% as compared to last financial year. Soaps sales volumes and margins have decreased due to increased cost of raw material (because of depreciation of the currency) and reduction in selling price. Prices are being rationalized to increase the margins in the coming months.

BATTERY PLANT

The battery segment has shown healthy increase in the volume which is approximately 19% higher compared to last year. Furthermore, the estimated market share of our battery has increased from 4.2% in FY 2018-19 to 7.3% in FY 2019-20.

The net revenue for the financial year 2019-20 is Rs. 2,187 million, which is 19% higher compared to last financial year. Despite increase in volume, the business has posted gross loss of Rs. 854 million which has improved by 23% compared to last financial year. The main reasons for the gross loss is due to:

1. Higher material cost due to PKR devaluation - which is not being passed through due to competition.
2. Higher manpower cost due to expats.
3. Higher fuel cost due to non-availability of grid electricity.

Furthermore, due to increase in administration & general and selling expenses the battery business has posted an operating loss of Rs. 2,309 million, which is 10% higher compared to last year.

DIVIDEND

Cash dividend is Nil % (2019: Nil) due to loss in Modaraba.

Appropriations

	Rs. in '000
(Loss) for the Year	(3,049,219)
Un-appropriated loss brought forward	(2,765,445)
Transferred to Statutory Reserves (0.0%) for the year ended June 30, 2020	-
Incremental depreciation charged during the year	2,117
Un-appropriated loss carried forward	(5,812,547)
Final Dividend for the year ended June 30, 2020 @ Rs. Nil	Nil

FUTURE OUTLOOK

CORRUGATED PACKAGING

Efforts are being made to rationalize inventory and trade debts levels but pass-through effect is limited due to intense competition. Corrugation business is working to explore new markets and likely to increase sales volumes [and prices] in the coming months.

SOAP

Selling prices are being rationalized. Sales volumes will be maintained in the coming months.

Palm oil prices are very volatile and difficult to predict.

BATTERY

Management has taken various measures to improve cost structure and plant efficiency. The contract with two new local vehicle OEMs will surly improve the volumes and increase the acceptability of our battery. Learning curve has improved with the help of Korean experts. Moreover, the grid station is up and running towards the later part of financial year, and utilities expenses will come down due to this installation. Sales volumes are improving due to enhanced market outreach as production volumes are achieved and hence economies of scale will be achieved gradually. Distribution channels are now well established and will be strengthened further in the coming months.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

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

- The financial statements, prepared by the management of Modaraba, fairly present its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies are consistently applied by your Modaraba in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of these financial statements and any departure therefrom, if any, has been adequately disclosed.

- The system of Internal Controls, being implemented in your Modaraba is sound and has been effectively persisted throughout the year.
- Keeping in view the financial position of your Modaraba, we do not have any significant doubt upon its continuance as a going concern.
- There has not been any material departure from the best practices of corporate governance, as detailed in the listing regulations, during the year under review.

MEETINGS OF THE BOARD OF DIRECTORS:

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

Attendance of Board Meetings during the year 2019-2020

Sr. No.	Name	Designation	4/Oct/19	30/Oct/19	26/Feb/20	27/Apr/20	2019-2020
1	Niloufer Qasim Mahdi	Chairperson /Non-Executive Director	A	A	A	A	0/4
2	Syed Sheharyar Ali	Non-Executive Director	P	P	P	P	4/4
3	Dr. Salman Faridi	Independent Director	P	P	P	P	4/4
4	Mr. Imran Azim	Non-Executive Director	P	P	P	P	4/4
5	Mr. Munir Karim Bana	Non-Executive Director	P	P	P	P	4/4
6	Saulat Said	Non-Executive Director	P	P	P	P	4/4
7	M. Shafique Anjum	Non-Executive Director	P	P	P	P	4/4
Quorum of Meetings			6/7	6/7	6/7	6/7	

P Present in the Meeting
A Leave of Absence

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.

Attendance of Audit Committee Meetings during the year 2019-2020

Sr. No.	Name	Designation	4/Oct/19	30/Oct/19	26/Feb/20	27/Apr/20	2019-2020
1	Dr. Salman Faridi	Chairman/Independent Director	P	P	P	P	4/4
2	Mr. Imran Azim	Non-Executive Director	P	P	P	P	4/4
3	Mr. Munir Karim Bana	Non-Executive Director	P	P	P	P	4/4
Quorum of Meetings			3/3	3/3	3/3	3/3	

P Present in the Meeting
A Leave of Absence

SHARI'AH ADVISOR:

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

PATTERN OF CERTIFICATE-HOLDING:

The pattern of certificate-holding of your Modaraba as on June 30, 2020 is annexed with this report. This statement is in accordance with the amendments made through the Code.

HR & ADMINISTRATION:

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

ACKNOWLEDGEMENT:

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

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

For and on behalf of the Board



Syed Shahid Ali

Chief Executive Officer

Dated: 05 October 2020

Lahore

ہیومن ریسورسز اور انتظامی امور

ایچ آر کا مکمل شعبہ معاون کمپنی ٹریٹ ایچ آر مینجمنٹ (پرائیویٹ) لمیٹڈ کے حوالے کیا گیا ہے جو مزدوروں کی بھرتی کرتی ہے اور اپنی دیگر کمپنیوں کو سروس معاہدہ کے تحت ورک فورس فراہم کرتی ہے اور ورک فورس کے ہر معاملہ میں ذمہ داری قبول کرتی ہے۔

اعتراف

بورڈ اس موقع پر اپنے گراں قدر صارفین کی مکمل حمایت کا تہہ دل سے شکریہ ادا کرتا ہے اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان سٹاک ایکسچینج لمیٹڈ اور مضاربہ ایسوسی ایشن آف پاکستان کی لگاتار مدد اور رہنمائی کو بھی قدر کی نگاہ سے دیکھتا ہے۔

سرٹیفکیٹ ہولڈرز کے ہم پر بھروسہ اور اعتماد پر خصوصی شکریہ

منجانب / برائے بورڈ آف ڈائریکٹرز



مؤرخہ: 5 اکتوبر، 2020ء

لاہور

سید شاہد علی

چیف ایگزیکٹو آفیسر

- فیصلوں کی بنیاد پر لگائے جاتے ہیں۔
- ان مالیاتی اسٹیٹمنٹس کی تیاری میں پاکستان میں رائج بین الاقوامی اکاؤنٹنگ پالیسیوں کی پیروی کی گئی ہے اور اس میں کسی بھی قسم کے ابہام کو واضح طور پر بیان کیا گیا ہے۔
- آپ کے مضاربہ میں رائج داخلی نظم و ضبط کے سسٹم کو مزید مضبوط کیا گیا ہے اور سال بھر میں اس کو موثر انداز میں برقرار رکھا گیا ہے۔
- آپ کے مضاربہ کی مالیاتی حالت کو مد نظر رکھتے ہوئے ہمیں کاروبار جاری رکھنے کی صلاحیت میں کوئی شک و شبہ نہ ہے۔
- زیر جائزہ سال کے دوران لسٹنگ ریگولیشنز میں بیان کردہ کارپوریٹ گورننس کی بہترین عمل داری میں کسی قسم کی ٹھوس رکاوٹ نہ ہے۔

بورڈ آف ڈائریکٹرز کے اجلاس

سال بھر میں بورڈ آف ڈائریکٹرز کے 04 اجلاس منعقد ہوئے۔ ہر اجلاس کی حاضری حسب ذیل ہے:

نمبر شمار	نام	عہدہ	04 اکتوبر 2019	30 اکتوبر 2019	26 فروری 2020	27 اپریل 2020	2019-2020
1.	ڈاکٹر سلمان فریدی	آزاد ڈائریکٹر	P	P	P	P	4/4
2.	مسٹر عمران عظیم	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
3.	مسٹر منیر کریم بانا	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
4.	صولت سعید	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
5.	محمد شفیق انجم	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
6.	سید شہر یاعلیٰ	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	4/4
7.	نیو فرقا سم مہدی	چیئر پرسن / نان ایگزیکٹو ڈائریکٹر	A	A	A	A	0/4
	اجلاس کا کورم		6/7	6/7	6/7	6/7	6/7

P اجلاس میں حاضر

A رخصت غیر حاضری

آڈٹ کمیٹی

سال بھر میں بورڈ کی آڈٹ کمیٹی کے چار (04) اجلاس منعقد ہوئے۔ سال 2019-20 کے دوران آڈٹ کمیٹی کے ہر اجلاس کی حاضری حسب ذیل ہے:

نمبر شمار	نام	عہدہ	04 اکتوبر 2019	30 اکتوبر 2019	26 فروری 2020	27 اپریل 2020	2019-2020
1.	ڈاکٹر سلمان فریدی	چیئر پرسن / آزاد ڈائریکٹر	P	P	P	P	P
2.	مسٹر عمران عظیم	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	P
3.	مسٹر منیر کریم بانا	نان ایگزیکٹو ڈائریکٹر	P	P	P	P	P
	اجلاس کا کورم		3/3	3/3	3/3	3/3	

شریعت کا مشیر

مفتی محمد جاوید حسن مضاربہ کے متعلق شریعت کے مشیر ہیں۔ سالانہ شریعہ مشیر کی رپورٹ اس رپورٹ کے ساتھ منسلک ہے۔

سرٹیفکیٹ ہولڈنگ کی وضع

30 جون 2020ء کو آپ کے مضاربہ ٹھوقلیٹ ہولڈنگ کی وضع اس رپورٹ کے ساتھ منسلک ہے۔ یہ بیان ضابطہ میں کی گئی ترمیم کے عین مطابق ہیں۔

منافع منقسمہ

مضاربہ میں نقصان کی وجہ سے نقد منافع منقسمہ صفر ہے (2019: صفر)

تخصیص

'000 روپوں میں	
(3,049,219)	(خسارہ) سال بھر میں
(2,765,445)	غیر تخصیص شدہ خسارہ جو آگے لایا گیا
-	30 جون 2020ء کو اختتام پذیر سال کے لئے لازمی ذخائر میں منتقلی
(0.0%)	
2,117	سال بھر میں لاگو اضافی فرسودگی
(5,812,547)	غیر تخصیص شدہ خسارہ جو آگے لے جایا گیا
صفر	30 جون 2020ء کو اختتام پذیر سال کے لئے حتمی منافع منقسمہ صفر روپے کی شرح سے

مستقبل کا منظر نامہ

کور و گیڈ پیکجنگ

انویٹری اور تجارتی قرضوں کی سطح میں رد و بدل کی کوششیں کی جارہی ہیں لیکن شدید مقابلہ کی وجہ سے عدم منتقلی کا اثر ابھی قائم ہے۔ کور و گیشن کاروبار نئی منڈیاں تلاش کرنے میں مصروف ہے اور آئندہ مہینوں میں سیلز کے حجم [اور قیمتوں] میں اضافہ کے لئے پرامید ہے۔

صابن

قیمت فروخت میں رد و بدل کیا جا رہا ہے۔ سیلز کا حجم آئندہ ماہ میں بحال کر لیا جائے گا۔ پام آئل کی قیمتیں انتہائی غیر مستحکم ہیں اور اس کا بروقت تعین کرنا مشکل ہے۔

بیٹری

انتظامیہ نے لاگت اور پلانٹ کارکردگی کو بہتر کرنے کے لئے کئی اقدامات اٹھائے ہیں۔ دوئی مقامی گاڑیوں OEMs کے ساتھ سمجھوتہ طے پانے سے حجم میں بہتری آنے اور ہماری بیٹری کی طلب میں اضافہ کی امید ہے۔ کورئین ماہرین کی مدد سے لرننگ کا خم بہتر ہوا ہے۔ مزید برآں، مالیاتی سال کے آخر میں گرڈ اسٹیشن فعال ہو جائے گا اور اس تنصیب سے سہولیات کے اخراجات میں واضح کمی واقع ہوگی۔ منڈی تک بہتر رسائی کی وجہ سے سیلز کا حجم بہتر ہو رہا ہے اور پیداواری حجم کا ہدف حاصل کر لیا گیا لہذا معاشی سطح پر استحکام بھی آجائے گا۔ تقسیمی ذرائع بہتر انداز میں قائم کر دیئے گئے ہیں اور آئندہ مہینوں میں ان میں مضبوطی کی امید کی جارہی ہے۔

کاروباری و مالیاتی رپورٹنگ فریم ورک:

ضابطہ کی پیروی میں مضاربہ کے بورڈ آف ڈائریکٹرز بیان کرتے ہیں کہ:

- مضاربہ کی انتظامیہ کی تیار کردہ مالیاتی اسٹیٹمنٹس کمپنی کے کاروباری امور، آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی بھرپور عکاسی کرتی ہیں۔
- مضاربہ کے کھاتوں کی باقاعدہ کتابیں تیار کی گئی ہیں۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں مضاربہ نے موزوں اکاؤنٹنگ پالیسیوں کا بھرپور اطلاق کیا ہے اور اکاؤنٹنگ تخمینہ جات موافق اور موزوں

شعبہ کے لحاظ سے تجزیہ

بیٹری		صابن		کورو گیڈ پیکجنگ		روپوں میں '000'
2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	
2,541,895	3,118,428	1,093,066	927,475	2,213,412	1,764,570	مجموعی سیلز
-	-	-	-	19,631	12,335	شعبوں کے مابین سیلز
(697,622)	(931,882)	(192,763)	(157,301)	(324,016)	(255,838)	منفی: سیلز ٹیکس، ایکسائز اور رعایت
1,844,273	2,186,546	900,303	770,174	1,909,027	1,521,067	کل سیلز
(1,103,684)	(854,145)	100,011	74,556	48,442	(57,331)	مجموعی نفع/(نقصان)
-59.84%	-39.06%	11.11%	9.68%	2.54%	-3.77%	مجموعی نفع/(نقصان) %
(2,106,042)	(2,309,084)	81,774	55,586	(48,490)	(187,474)	آپریٹنگ نفع/(نقصان)

کورو گیڈ پیکجنگ

سال 2019-20 کے دوران خالص آمدنی 1,521 ملین روپے ہے جو گزشتہ مالیاتی سال کے مقابلہ میں 20 فی صد کی ظاہر کر رہی ہے۔ آمدنی میں اس کمی کو لاک ڈاؤن کی وجہ سے کم پیداوار سے منسوب کیا جاتا ہے۔ گزشتہ برس 48 ملین روپے مجموعی منافع کے مقابلہ میں کاروبار نے 57 ملین روپے کا خسارہ درج کیا ہے۔ خام مال کی لاگت، نقل و حمل کے زائد اخراجات اور لاگت کی محدود منتقلی (یعنی شدید مقابلہ کی وجہ سے اضافی لاگت کو صارف تک منتقل نہ کیا گیا ہے) کی وجہ سے یہ کمی واقع ہوئی۔

مارکیٹ میں تنوع کے ذریعے صارفین کی تعداد میں اضافہ کے لئے کوششیں جاری ہیں۔ تاہم وقت گزرنے کے ساتھ ساتھ اضافی لاگت (خام مال، تنخواہ وغیرہ) کی وجہ سے قیمتوں میں بھی ردوبدل کیا جا رہا ہے۔

صابن

سال 2019-20 میں خالص آمدنی 770 ملین روپے رہی جو گزشتہ مالیاتی سال کے مقابلہ میں 14 فی صد کم ہے۔ صابن کی فروخت کا حجم اور منافع (کرنسی کی قدر میں کمی کی بنا پر) خام مال کی قیمت میں اضافہ اور فروخت میں کمی کی وجہ سے کم ہوا ہے۔ آئندہ مہینوں میں منافع بڑھانے کے لئے قیمتوں میں ردوبدل کیا جائے گا۔

بیٹری پلانٹ

بیٹری کے شعبہ میں گزشتہ برس کے مقابلہ میں حجم میں 19 فی صد کا بھاری اضافہ ہوا ہے۔ مزید یہ کہ ہماری بیٹری کا اندازاً مارکیٹ شیئر مالیاتی سال 2019-20 میں 7.3 فی صد بڑھا ہے جو مالیاتی سال 2018-19 میں 4.2 فی صد تھا۔

مالیاتی سال 2019-20 میں خالص آمدنی 2,187 ملین روپے رہی جو گزشتہ برس کے مقابلہ میں 19 فی صد زائد ہے۔ حجم میں اضافہ کے باوجود کاروبار میں گزشتہ برس کے مقابلہ میں 23 فی صد یعنی 854 ملین روپے مجموعی خسارہ درج کیا ہے۔ مجموعی خسارہ کی بنیادی وجوہات ہیں:

1. پاکستانی روپے کی بے قدری کی وجہ سے خام مال کی قیمت میں اضافہ۔ مقابلہ کی وجہ سے جسے منتقل نہ کیا ہے۔
 2. بین الاقوامی تارکین وطن کی وجہ سے عملہ پر زائد لاگت
 3. گرڈ کی بجلی عدم دستیاب ہونے کی وجہ سے ایندھن کی لاگت میں اضافہ
- مزید برآں انتظامی و عمومی اور سیلنگ اخراجات میں اضافہ کی وجہ سے کاروبار نے 2,309 ملین روپے کا آپریٹنگ خسارہ درج کیا ہے جو گزشتہ برس کے مقابلہ میں 10 فی صد زائد ہے۔

- مرکزی کمپنی کو 7.4 بلین روپے کے حالیہ واجبات کو حصص داران کے آئندہ اجلاس اور ریگولیٹر سے منظوری کے بعد ایکویٹی میں تبدیل کر دیا جائے گا۔
- جیسا کہ بیان کیا گیا ہے اس کی ذیلی کمپنی (فرسٹ ٹریٹ مینوفیکچرنگ مضاربہ) سے بیٹری کے شعبہ کو ایک علیحدہ کمپنی (ٹریٹ بیٹری لمیٹڈ) بنانے کا عمل جاری ہے۔ انضمام کا منصوبہ بھی زیر غور ہے۔ حال ہی میں مالیاتی اداروں اور ریگولیٹرز سے لازمی و قانونی منظوری کی درخواست کی گئی ہے۔
- کاروباری امور کو بہتر کرنے کے لئے انتظامیہ نے مندرجہ ذیل آپریشنل اقدامات اٹھائے ہیں اور ان اقدامات کے نفاذ سے کاروباری کارکردگی بہتر کرنے میں مدد ملے گی۔

(1) خام مال کے ذرائع اخذ کرنا:

مقامی سطح پر دوبارہ کارآمد شدہ لیڈ پر آزمائشی کام کیا گیا ہے۔ مربوط ٹیسٹنگ کے بعد اپنی بیٹریوں کے لئے سیسہ/لیڈ مقامی ذرائع سے حاصل کرنے کی منظوری دی گئی ہے۔ توقع کی جاتی ہے کہ اس طرح لاگت کم کرنے اور درآمدی سیسہ کے مقابلہ میں مقامی کمپنیوں سے بہتر شرائط پر سیسہ حاصل کرنے میں مدد ملے گی۔

(2) بیٹری کی معقول قیمتیں

ڈائیو بیٹری اور حریف بیٹری صنعتوں کی قیمتوں کا ایک تفصیلی جائزہ لیا گیا ہے۔ ڈائیو بیٹریاں حریفوں کے مقابلے میں پہلے ہی زیادہ قیمتوں پر فروخت کی جا رہی ہیں تاہم جائزہ سے معلوم ہوا کہ سال کے دوسرے نصف حصہ میں ڈائیو بیٹری کے متعدد ماڈلز کی قیمتوں میں 10-3 فی صد تک اضافہ کیا گیا۔

(3) پلانٹ کی کارکردگی میں بہتری

پلانٹ کی صلاحیت بڑھانے کے لئے کئی منصوبوں کا آغاز کیا گیا ہے جس سے کارکردگی بڑھانے اور آپریشنل ضیاع کو کم کرنے میں مدد ملے گی اور نتیجتاً منافع بڑھانے میں مدد ملے گی۔

(4) انتظامی لاگت میں کمی:

ڈائیو بیٹری پلانٹ عالمی معیار کا ایک پلانٹ ہے جو مرمت سے پاک اور زیادہ عرصہ چلنے والی بیٹریاں بناتا ہے۔ چونکہ مقامی سطح پر اس پلانٹ کو چلانے اور انتظام کرنے کے وسائل دستیاب نہیں لہذا مقامی عملہ کی تربیت اور بیٹری پلانٹ کو چلانے کے لئے کورئین افراد کی ایک ٹیم کو بھرتی کیا گیا ہے۔ دو سال کی تربیت کے بعد اب مقامی ٹیم نے پلانٹ پر اپنے فرائض سرانجام دینے کا آغاز کر دیا ہے۔ اسی طرح سے 2019-20 کے دوسرے نصف حصہ میں کورئین عملہ کے کچھ افراد کو فارغ کر دیا گیا ہے۔ اور اس طرح سے بیٹری ڈیویژن کی انتظامی لاگت میں کمی واقع ہو گی۔

ڈائریکٹرز کی رپورٹ

30 جون 2020ء کو اختتام پذیر سال کے لئے ہم ازراہ مسرت ڈائریکٹرز رپورٹ بمعہ مالیاتی اسٹیٹمنٹس (پڑتال شدہ) پیش کرتے ہیں۔ ان کھاتوں کی مضاربہ کے مجاز آڈیٹرز نے پڑتال کی ہے اور ان کی آڈٹ رپورٹ ہمراہ ہے۔

COVID-19 اثرات

مالیاتی سال 2020ء میں دنیا کو ایک غیر معمولی وباء COVID-19 کا سامنا کرنا پڑا جس کی وجہ سے دنیا بھر کی معیشت میں بحرانی کیفیت پیدا ہو گئی اور ہماری معیشت بھی اس سے نہ بچ سکی۔ لاک ڈاؤن کے نتیجے میں بیٹری کی پیداوار تقریباً آٹھ (8) ہفتوں کے لئے بند رہی جبکہ ڈبوں اور صابن کی پیداوار جزوی طور پر بند رہی۔ اور کمپنی کو بیٹری ڈیویشن میں تقریباً 252 ملین روپے کا نقصان برداشت کرنا پڑا جبکہ مضاربہ کی سطح پر کل ریونیو خسارہ 639 ملین روپے رہا۔ بعد ازاں حکومت پنجاب کے جاری کردہ طریقہ ہائے کار (SOP) کی پیروی میں پلانٹ کو فعال کر دیا گیا۔ آپ کو آگاہ کرنے میں ہمیں خوشی محسوس ہو رہی ہے کہ اس بحرانی صورت حال میں ہم نے نہ صرف مستقل بلکہ جزوقتی ملازمین میں سے کسی کو بھی برخاست نہیں کیا ہے۔ مزید برآں، ہم نے مستقل بلکہ جزوقتی ملازمین کی تنخواہ میں بھی کوئی کٹوتی نہیں کی ہے۔

مالیات پر ایک نظر

حسابات مجموعی کے مطابق سال بھر میں آمدنی 4,478 ملین روپے رہی جو گذشتہ برس کے مقابلہ میں 4 فی صد نقصان ظاہر کر رہی ہے (2018-19: 4,654 ملین روپے)۔ آمدنی میں اس تفاوت کو COVID-19 وباء کے تدارک کے لئے نافذ آٹھ (8) ہفتے کے لاک ڈاؤن سے منسوب کیا جاتا ہے جس کی وجہ سے مضاربہ کاروبار کی پیداوار اور فروخت بری طرح متاثر ہوئی ہے۔ سال بھر میں مجموعی نقصان 837 ملین روپے رہا جو گذشتہ برس کے مقابلہ میں 12 فی صد کی ظاہر کر رہا ہے۔

گذشتہ برس میں آپریٹنگ خسارہ میں 17 فی صد اضافہ ہوا۔ خسارہ میں یہ اضافہ مرکزی کمپنی کی جانب سے زیادہ انتظامی لاگت سے منسوب کیا جاتا ہے۔ سال بھر میں خالص خسارہ 3,049 ملین روپے رہا جو گذشتہ برس کے مقابلہ میں 27 فی صد زائد ہے (خسارہ: 2018-19: 2,392 ملین روپے)۔ خسارہ میں یہ اضافہ حکومت کی جانب سے زائد شرح پالیسی کی وجہ سے قرضوں پر اضافی لاگت سے منسوب کیا جاتا ہے۔

روپوں میں '000	مالیاتی سال جون، 2020ء	مالیاتی سال جون، 2019ء	فی صد فرق
سیلز (خالص)	4,477,787	4,653,603	-4%
مجموعی منافع / (نقصان)	(836,920)	(955,231)	-12%
آپریٹنگ نفع / (نقصان)	(2,440,972)	(2,072,758)	18%
خالص نفع / (نقصان)	(3,049,219)	(2,391,792)	27%
فی سرٹیکلیٹ آمدنی / (خسارہ)	(15.59)	(12.23)	27%
ذخائر کو منتقلی -0% (2019: 0%)	nil	nil	
فی سرٹیکلیٹ بک ویلیو	(5.15)	10.44	-149%

آڈیٹرز نے اپنی آڈٹ رپورٹ میں مضاربہ کی مالیاتی حالت سے متعلق نوٹ 1.2 پر توجہ دلائی ہے۔ انتظامیہ نے مضاربہ کے آپریشن کو بہتر کرنے کے لئے ایک تخفیفی منصوبہ تجویز کیا ہے۔ بورڈ آف ڈائریکٹرز نے مندرجہ ذیل منصوبہ منظور کیا ہے اور لازمی اور ریگولیٹری منظوری کے بعد اس کو نافذ کیا جائے گا۔

Statement of Ethics and Business Practices

Guidelines to Business Conduct

EMPLOYEES

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

BUSINESS PARTNERS

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

BUSINESS RESOURCES

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

COMMUNITIES

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

Corporate Social Responsibility

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

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

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

CUSTOMERS

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

OUR PEOPLE

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

PRODUCTS AND SERVICES

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

SUPPLIERS

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

CERTIFICATE HOLDERS

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

PLANNING

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

Corporate Social Responsibility

QUALITY IMPROVEMENT

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

ENVIRONMENT

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

SOCIETY

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

HEALTH, SAFETY AND ENVIRONMENT POLICY

It is Treet Group policy to;

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

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

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

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

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

Investment / Funding and Dividend Policies

INVESTMENT POLICY

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

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

FUNDING POLICY

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

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

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

These funding options may include;

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

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

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

DIVIDEND POLICY

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

Investment / Funding and Dividend Policies

No dividend shall be declared or paid by a Company for any financial year out of the profits of the Company made from the sale or disposal of any immovable property or assets of a capital nature comprised in the undertaking or any of the undertaking of the Company; and

No dividend shall be paid by a Company otherwise than out of profits of the Company; and

The Board may approve and pay to the Members such interim dividends as appears to be justified by the profits of the Company; and

The Board may, before recommending any dividend, set aside out of the profits of the Company, such sums as they think proper as a reserve(s), which shall, at the discretion of the Board, be applicable for meeting contingencies etc.; and

Company's dividend decision will be auxiliary to Company's Financing Policy

Dividend Policy for First Treet Manufacturing Modaraba

Not less than 90% of the net income in respect of the Modaraba's business [non-trading] activities, determined after setting aside the mandatory reserves as per Prudential Regulations for Modaraba, is to be distributed at least once in every year to the certificate holders in proportion to the number of certificates held by them. Distribution will be in the form of cash dividend. No dividend shall be paid otherwise than out of the profits of the Modaraba for the year or any other distributed profits.

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

Year ended June 30, 2020.

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

1. The total number of directors are Eight (08) as per the following ,

- a) Male 07
- b) Female 01

2. The composition of the Board is as follows:

Category	Name
i. Independent Director	Dr. Salman Faridi
ii. Non – Executive Director	Mr. Imran Azim Mr. Munir Karim Bana Mr. Saulat Said Syed Sheharyar Ali Muhammad Shafique Anjum
iii. Executive Director	Syed Shahid Ali
iv. Female Director	Dr. Niloufer Qasim Mahdi

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

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

9. Out of the eight, four Directors have either obtained certificate of Directors' Training Program or are exempted from the requirement of Directors' Training Program as per (Code of Corporate Governance) Regulations, 2019. While the remaining four Director will undertake the Directors' Training Program within the stipulated time.
10. The Board had approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment 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 an Audit Committee. It comprises three Members. All Members are Non-Executive Directors and the Chairman of the Committee is an Independent Director;
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the modaraba;
16. The statutory auditors of the modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that 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 modaraba;
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 the Regulations have been complied.

For and on behalf of the Board



Syed Shahid Ali

Chief Executive Officer

Dated: 05 October 2020

Lahore

INDEPENDENT AUDITOR'S REVIEW REPORT

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of First Treet Manufacturing Modaraba for the year ended June 30, 2020 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 Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management 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 Management Company's personnel and review of various documents prepared by the Management 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 Management Company's corporate governance procedures and risks.

The Regulations require the Management 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 Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Management Company for the year ended June 30, 2020.

October 05, 2020
LAHORE


KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

Annual Shari'ah Advisor Report

I have conducted the Shari'ah review of **First Treet Manufacturing Modaraba managed by Treet Holdings Limited** Modaraba Management Company for the financial year ended **June 30, 2020** in accordance with the requirements of the Shari'ah Compliance and **Shari'ah Audit Mechanism for Modarabas** and report that except the observations as reported hereunder, in my opinion:

- i. the Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
- ii. no major developments in the following took place during the year:
 - a) Research and new product development
 - b) Training and Development
- iii. the agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met
- iv. to the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas.
- v. profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising products etc are not applicable to this Modaraba.
- vi. the earnings that have been realized from the sources or by means prohibited by Shari'ah have been credited to charity accounts.



Mufti Muhammad Javed Hassan
Shari'ah Advisor
First Treet Manufacturing Modaraba

Dated: October 05, 2020

Financial Statements

For the year ended June 30, 2020

AUDITORS' REPORT TO THE CERTIFICATE-HOLDERS

We have audited the annexed balance sheet of First Treet Manufacturing Modaraba (“the Modaraba”) as at June 30, 2020 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Modaraba Management Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes in accounting policies as disclosed in note 2.5.1 of the financial statements, with which we concur;
 - ii) the expenditure incurred during the period was for the purpose of the Modaraba's business; and

the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba.

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2020 and of the loss, its total comprehensive loss, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

AUDITORS' REPORT TO THE CERTIFICATE-HOLDERS

We draw attention to note 1.2 in the financial statements, which indicates that the Modaraba incurred loss after taxation amounting to Rs. 3,049.219 million during the year and at the reporting date that increased to Rs. 5,812.547 million thereby eroded its equity by Rs. 1,006.377 million with adverse current ratio due to the reasons as set forth in the above said note alongwith alternate course of actions taken by the management to address the adverse situations. However, these events or conditions, alongwith other matters as set forth therein, indicate that a material uncertainty exists that may cast significant doubt on the Modaraba's ability to continue as a going concern and the Modaraba may be unable to realize its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

October 07, 2020
LAHORE


KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner
Syed Aftab Hameed, FCA

Balance Sheet


As at 30 June 2020

		2020 (Rupees in thousand)	2019
Assets	Note		
<u>Non-current assets</u>			
Property, plant and equipment	4	8,418,377	8,682,886
Right of use asset (ROU)	5	78,259	-
Long term deposits	6	43,251	10,932
		8,539,887	8,693,818
<u>Current assets</u>			
Stores and spares	7	105,671	93,321
Stock in trade	8	1,216,573	1,858,077
Trade debtors	9	543,371	754,829
Advances, deposits, prepayments and other receivables	10	132,638	552,548
Tax refunds due from the Government	11	844,149	1,123,505
Cash and bank balances	12	169,137	99,596
		3,011,539	4,481,876
Total assets		11,551,426	13,175,694
<u>Equity and liabilities</u>			
<u>Certificate capital and reserves:</u>			
Authorized certificate capital	13	4,500,000	4,500,000
Issued, subscribed and paid-up certificate capital	14	1,956,000	1,956,000
Capital reserves			
Statutory reserve	15	511,941	511,941
Certificate premium	16	1,952,870	1,952,870
Surplus on revaluation of property, plant and equipment	17	385,359	387,476
		2,850,170	2,852,287
Revenue reserves			
Accumulated loss		(5,812,547)	(2,765,445)
Certificate holders' equity		(1,006,377)	2,042,842
<u>Non-current liabilities</u>			
Lease liability	18	54,511	-
Deferred taxation	17	9,272	9,272
		63,783	9,272
<u>Current liabilities</u>			
Retention money payable		14,562	21,662
Current portion of lease liability	18	15,980	-
Short term borrowings	20	11,602,841	10,387,254
Trade and other payables	21	595,111	622,899
Accrued profit on secured borrowings		265,165	91,765
Provision for taxation		361	-
		12,494,020	11,123,580
Contingencies and commitments	22		
Total equity and liabilities		11,551,426	13,175,694

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

Lahore

October 05, 2020


Syed Shahid Ali
Chief Executive Officer


M. Mohtashim Aftab
Chief Financial Officer


Imran Azim
Director


Profit and Loss Account

For the year ended 30 June 2020

	Note	2020 (Rupees in thousand)	2019
Revenue - net	23	4,477,787	4,653,603
Cost of sales	24	(5,314,707)	(5,608,834)
Gross loss		(836,920)	(955,231)
Operating expenses			
Administration and general expenses	25	(912,876)	(678,096)
Selling and distribution cost	26	(667,027)	(439,431)
Other expenses	27	(24,149)	-
		(1,604,052)	(1,117,527)
Operating loss		(2,440,972)	(2,072,758)
Finance cost	28	(614,782)	(346,024)
Other income	29	7,713	26,990
Loss before taxation		(3,048,041)	(2,391,792)
Taxation	30	(1,178)	-
Loss after taxation		(3,049,219)	(2,391,792)
Loss per Modaraba certificate - basic and diluted	31	(15.59)	(12.23)

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

Lahore
October 05, 2020


Syed Shahid Ali
Chief Executive Officer


M. Mohtashim Aftab
Chief Financial Officer


Imran Azim
Director


Statement of Comprehensive Income

For the year ended 30 June 2020

	2020 (Rupees in thousand)	2019
Loss after taxation	(3,049,219)	(2,391,792)
<u>Items that may not be reclassified to profit and loss account</u>		
Surplus on revaluation of property, plant and equipment	-	375,315
Less: Deferred tax attributable to revaluation surplus	-	(9,272)
	-	366,043
Total comprehensive loss for the year	<u>(3,049,219)</u>	<u>(2,025,749)</u>

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

Lahore
October 05, 2020


Syed Shahid Ali
Chief Executive Officer


M. Mohtashim Aftab
Chief Financial Officer


Imran Azim
Director

Cash Flow Statement


For the year ended 30 June 2020

Note	2020 (Rupees in thousand)	2019
<u>Cash flow from operating activities</u>		
Loss before taxation	(3,048,041)	(2,391,792)
<u>Adjustment for non-cash items:</u>		
Depreciation on operating fixed assets	488,952	418,808
Depreciation on ROU asset	15,652	-
Gain on disposal of land classified as held for sale	-	(18,865)
Allowance for expected credit losses	24,149	-
Provision for doubtful debts	-	8,700
Write down in the value of stock in trade	20,091	-
Provision for warranty	110,184	32,529
Recovery of bad debts written off in the past	-	(294)
Exchange Loss	284	34,317
Finance cost	614,498	311,707
	1,273,810	786,902
Operating loss before working capital changes	(1,774,231)	(1,604,890)
<u>Increase/(decrease) in current assets:</u>		
Stores and spares	(12,350)	(15,664)
Stock in trade	621,413	(599,294)
Trade debtors	187,309	(190,869)
Advances, deposits, prepayments and other receivables	419,910	(176,740)
Tax refunds due from the government - sales tax adjustable	306,352	(233,455)
	1,522,634	(1,216,022)
<u>Increase/(decrease) in current liabilities:</u>		
Retention money payable	(7,100)	(29,744)
Trade and other payables	(92,211)	233,183
Cash used in operations	(350,908)	(2,617,473)
Finance cost paid	(441,382)	(274,594)
Income tax paid - net	(27,813)	(41,514)
Long term advances - net	-	2,224
Long term deposits - net	(32,319)	2,317
Net cash used in operating activities	(852,422)	(2,929,040)
<u>Cash flow from investing activities</u>		
Operating fixed assets including related long term liability	-	(56,426)
Capital work in progress incurred	(224,443)	(289,775)
Proceeds from sale of land classified as held for sale	-	63,105
Net cash used in investing activities	(224,443)	(283,096)
<u>Cash flow from financing activities</u>		
Short term borrowings acquired from banking companies - net	303,391	1,977,344
Payment of lease liability including prepayments	(23,420)	-
Borrowings from related party - parent company - net	912,196	667,384
Net cash generated from financing activities	1,192,167	2,644,728
Net increase/(decrease) in cash and cash equivalents	115,302	(567,408)
Cash and cash equivalents at beginning of the year	21,666	589,074
Cash and cash equivalents at end of the year	136,968	21,666
The reconciliation in cash and cash equivalents is as follows:		
Cash and bank balances	12 169,137	99,596
Temporary book overdraft - unsecured	21 (32,169)	(77,930)
Cash and cash equivalents at end of the year	136,968	21,666

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

Lahore

October 05, 2020


Syed Shahid Ali
Chief Executive Officer


M. Mohtashim Aftab
Chief Financial Officer


Imran Azim
Director


Statement of Changes in Equity

For the year ended 30 June 2020

	Certificate capital	Certificate premium	Capital Reserves Statutory reserve	Surplus on revaluation of Property, plant & equipment - net of tax	Revenue Accumulated loss	Total
	(Rupees in thousand)					
Balance as at 30 June 2018	1,956,000	1,952,870	511,941	26,989	(379,209)	4,068,591
Total comprehensive loss for the year	-	-	-	-	(2,391,792)	(2,391,792)
Fresh surplus arose during the year	-	-	-	366,043	-	366,043
Surplus transferred to accumulated loss on account of - incremental depreciation charged during the year - net of deferred tax	-	-	-	(981)	981	-
Sale of land classified as held for sale	-	-	-	(4,575)	4,575	-
Balance as at 30 June 2019	1,956,000	1,952,870	511,941	387,476	(2,765,445)	2,042,842
Total comprehensive loss for the year	-	-	-	-	(3,049,219)	(3,049,219)
Surplus transferred to accumulated loss on account of incremental depreciation charged during the year - net of deferred tax	-	-	-	(2,117)	2,117	-
Balance as at 30 June 2020	1,956,000	1,952,870	511,941	385,359	(5,812,547)	(1,006,377)

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

Lahore
October 05, 2020


Syed Shahid Ali
Chief Executive Officer


M. Mohtashim Aftab
Chief Financial Officer


Imran Azim
Director

Notes to the Financial Statements

For the year ended 30 June 2020

1 Legal status and nature of business

- 1.1** First Treet Manufacturing Modaraba ("the Modaraba") is a multipurpose, perpetual and multi dimensional Modaraba formed on 27 July 2005 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed there-under and is managed by Treet Holdings Limited (a wholly owned subsidiary of Treet Corporation Limited, a parent Company of the Modaraba), incorporated in Pakistan under the (repealed) Companies Ordinance, 1984 and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at 72 - B, Kot Lakhpat, Industrial Area, Lahore. The Modaraba is listed on Pakistan Stock Exchange Limited (Formerly Lahore Stock Exchange (Guarantee) Limited. The Modaraba is engaged in the manufacture and sale of corrugated.
- 1.2** The Modaraba has again incurred a gross loss of Rs. 836.920 million (2019: Rs. 955.231 million) and net loss after tax of Rs. 3,049.219 million (2019: Rs. 2,391.792 million) during the year, whereas its accumulated loss of Rs. 5,812.547 million (2019: Rs. 2,765.445 million) with negative equity of Rs. 1,006.377 million stood at June 30, 2020. The Modaraba has also shown adverse current ration at the terminal dates. These conditions indicate the existence of material uncertainty about the conditions and events regarding the future operations of the Modaraba which may cast significant doubt about the Modaraba's ability to continue as a going concern and, therefore, the Modaraba may be unable to realize its assets and discharge its liabilities in the normal course of business.

The reasons of such operational results have been thoroughly analyzed by the management of the Modaraba and it was observed that in case of:

- o Corrugation project, the corrugators are fully depreciated. Further, during the year, the business faced unprecedented circumstances due to lower product demand, slow economic activity and impact of lockdown on account of COVID 19. Consequently, the plant operations remained significantly subdued which resulted in lower production level coupled with higher input costs, those were instrumental towards the increased loss for the year.
- o Battery project, though sustained loss in its second years' of operation but continuously showing improvements in operational performance since the start of its commercial production. However, due to new product and un-favourable market conditions such as down gradation of auto sector and poor economic situation resulted in reduced product demand, stagnancy in product price, higher financial & input cost and fierce competition.

In order to address the situation, the management has made mitigation plans and formulated strategies for the revival of the businesses of the above mentioned segments and improved profitability. Following remedial measures are being taken by the Modaraba's management for the continued and sustainable operations of corrugation and battery segments:

- i) In case of corrugation segment, the parent company of the Modaraba and its sponsoring directors are focused for the upgradation of modern technology and latest machinery / hardware for the smooth and optimized operations of the segments to reap the benefits of economies and efficiency through the development of innovative and superior products as per the customers specifications thereby increasing market share and competitive edge, exploring new opportunities and possibilities for the increased sales volume, tapping all the sources for the procurement of quality paper and cost control measures.
- ii) In case of battery segment, the Modaraba has a fully automated battery plant with state of the art Korean battery manufacturing technology capable of producing premium and differentiated products i.e. Maintenance and Deep Discharge battery with brand loyalty for the customers. The parent company of the Modaraba and sponsoring directors have devised a rigorous plan for the uninterrupted and profitable operations of the battery project viz-a-viz exploring all the opportunities for enhancing the sales volume of the lead acid batteries both locally and internationally, repricing the different models of the batteries and repositioning them in the best mix and in different markets as per market segmentation, tapping all the sources for the availability of cheap raw material (lead) locally with high quality, focusing on the development of local, experienced and skilled workforce to avoid the high cost associated with the Korean experts. During the year, following major steps have already been taken by the management to improve the operations of the business which will result in extensive cost savings:
 - o Installation of own grid station for energy requirements
 - o Replacement of Korean experts and retaining essential Korean staff engaged in the Quality Control Department for enhanced quality of the products
 - o Procurement of local raw material
 - o Supply contract with local auto manufacturers

- o Exploring the effective distribution channels
(by appointing more experienced and effective distributors having greater geographical presence and blanket coverage for the products)
- o Removal of defects, which are generally inherent in the new and state of art production process to control / reduce the huge warranty claims by process innovation and business reengineering.

By the application of these remedial measures and adoption of offensive marketing strategies, the management of the Modaraba is optimistic to make the project profitable and viable in the foreseeable future.

- iii) Further, the sponsoring directors of the parent company of the Modaraba are providing all sorts of financial assistance / support for the smooth, uninterrupted and sustainable operations of the Modaraba and are contended towards making all out efforts to sail through the project from this economic and financial turmoil. Towards this endeavor, the sponsoring directors are considering for the conversion of funds provided by the parent company for the development of battery project into equity fund of the Modaraba upto the sum of Rs. 7,300 million, subject to member's approval in their upcoming meeting and then subsequent approval from the regulatory authorities. Further, possibilities of bringing in an equity partner for the arrangement of additional finance amounting to Rs. 3,500 million are also being explored. Furthermore, the process to spin off the battery operations in a new company which is already established under the Companies Act, 2017 in the name and style "Treet Battery Limited" is in progress.

In view of the above mitigation plans, the management believes that Modaraba will continue to operate as a profitable venture in foreseeable future. Accordingly, the going concern assumption used by the management in the preparation of these financial statements is appropriate.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for land & buildings, which are carried at revalued amount.

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates, judgements and assumptions

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

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

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

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

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

2.4.2 Stock in trade and stores and spare parts

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

2.4.3 Allowance for expected credit losses

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

2.4.4 Provision for warranty

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

2.4.5 Employees' retirement benefits

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

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

2.4.6 Contingencies

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

2.4.7 Provision for income taxes

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

2.5 New standards, interpretations and amendments to published approved accounting standards

2.5.1 Amendments to published approved accounting standards that are effective for the year ended June 30, 2020

In January 2016, the IASB published the new standard for lease accounting, IFRS 16 'Leases', which replaces the existing rules contained in IAS 17 'Leases', IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases – Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The new standard is to be applied for annual periods beginning on or after January 1, 2019.

The standard introduces a single lessee accounting model, by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset (for granted rights of use of the underlying asset) and a lease liability representing its obligation to make lease payments at commencement for all leases, except for short-term leases and leases of low value assets. It eliminated the requirement of IAS 17 for lessee to classify lease contracts as either operating leases – without recognizing the respective assets or liabilities – or as finance leases. However, IFRS 16 contains optional recognition exemptions. As in the previous standard, IAS 17, lessors still have to differentiate between finance and operating leases.

In addition, leasing expenses are no longer presented as operating cash outflows in the statement of cash flows, but instead are included as part of the financing cash outflow. Interest expense from the newly recognized lease liability are presented in cash flow from operating activities.

The Modaraba has applied IFRS 16 for the first time as of July 01, 2019, using the modified retrospective approach in accordance with the transition provisions set out in IFRS 16. This approach allows the application of IFRS 16 retrospectively without restating the prior-year figures while accounting for the aggregate amount of any transition effects by way of an adjustment to equity and presenting the comparative period in line with previous rules. In this connection, various practical expedients can be applied as of the transition date for lease agreements in which the Modaraba is the lessee. These practical expedients are enlisted in the following paragraph. The Modaraba as a lessee, recognizes a right of use asset and a lease liability on the initial application date (i.e. July 01, 2019).

The following practical expedients have been used by the Modaraba when adopting IFRS 16 on its application date i.e.

- IFRS 16 applied only to contracts that were previously assessed as leases in accordance with the previous IFRS (IAS 17 Leases).
- A single discount rate applied to portfolio of leases with reasonably similar characteristics as permitted by IFRS 16.
- Initial direct cost was excluded from the measurement of the right-use-of asset as of July 01, 2019.
- The weighted-average incremental borrowing rate applied to lease liabilities recognized on July 01, 2019 was 13.50%.
- The accounting for operating leases with a remaining lease term of less than 12 months as at July 01, 2019 as short-term leases;

Lease liabilities and right of use assets recognized as of July 01, 2019 are as follows:

Lease liabilities

	Rupees in thousand
Operating lease commitments	163,082
Amounts not included in lease liabilities classified as short term lease	(28,379)
Total lease payment which were reasonably certain	<u>134,703</u>

Discounted using the lessee's incremental borrowing rate

	13.50%
Lease liability as at July 01, 2019	<u>82,974</u>
Current portion	12,483
Long-term portion	<u>70,491</u>
	<u>82,974</u>

Right-of-use assets

Present value of lease liability	82,974
Prepayments classified as right-of-use asset	<u>10,937</u>
Right-of-use assets recognized as of July 01, 2019	<u>93,911</u>

The impact of this change in accounting policy on financial statements is as follows:

Impact on assets and liabilities as at July 01, 2019

	As at June 30, 2019	IFRS 16 adjustments	As at July 01, 2019
		-----Rupees in thousand-----	
Right of use asset	-	93,911	93,911
Prepayments	10,937	(10,937)	-
	<u>10,937</u>	<u>82,974</u>	<u>93,911</u>
	As at June 30, 2019	IFRS 16 adjustments	As at July 01, 2019
Lease liabilities:			
- long-term portion	-	70,491	70,491
- current portion	-	12,483	12,483
Net impact on total liabilities	<u>-</u>	<u>82,974</u>	<u>82,974</u>

'IFRS - 9 'Financial Instruments'

Initially Securities and Exchange Commission of Pakistan (SECP) deferred the application of IFRS - 9 'Financial Instruments' to Non-Banking Finance Companies till June 30, 2019. Therefore, now the Modaraba has adopted this standard w.e.f. July 01, 2019. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Modaraba makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Modaraba's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Modaraba. On the adoption date of IFRS -9, the Modaraba has assessed the business models which would be applied to the financial assets held by it and has classified these as appropriate under the provisions of IFRS - 9. Previously, the financial assets classified as 'loans and receivables' have now been classified as 'at amortized cost'.

Financial instruments	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	New carrying amount
Long term deposits	Loans and receivables	At amortized cost	10,932	10,932
Trade debts	Loans and receivables	At amortized cost	754,829	754,829
Advances, deposits and other receivables	Loans and receivables	At amortized cost	552,548	552,548
Cash and Bank balances	Loans and receivables	At amortized cost	99,596	99,596

New impairment requirements use an 'expected credit loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Modaraba has applied IFRS 9 for the first time as of July 01, 2019, using the modified retrospective approach in accordance with the transition provisions set out in that standard. This approach allows the application of IFRS 9 retrospectively without restating the prior-year figures while accounting for the aggregate amount of any transition effects by way of an adjustment to equity during the year and presenting the comparative period in line with previous rules.

Adoption of IFRS 9 did not have any impact on the profit and loss account and OCI for the year ended June 30, 2020. As a result of the adoption of IFRS 9, the Modaraba has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the profit and loss account. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Modaraba's accounting policies related to financial liabilities. In addition to this, the adoption of expected loss approach has resulted in an allowance for expected credit loss amounted to Rs. 24.149 million for trade debtors during the year. This change in accounting policy for impairment on trade receivables from incurred approach to expected credit loss approach has no material impact on the opening balance of trade debtors and the provision made as on June 30, 2019 approximate the amounts to be computed under expected credit loss approach.

The amendments that were mandatory for the year ended June 30, 2020 are considered not to be relevant for the Modaraba's financial reporting process and hence have not been disclosed here.

2.5.2 Amendments and interpretations to existing standards that are not yet effective but applicable / relevant to the Modaraba's operations

The following Standards, interpretations and amendments to published approved accounting standards that are effective for accounting periods, beginning on or after the date mentioned against each to them.

		Effective for the period beginning on or after
IAS-1	Presentation of Financial Statements & Accounting Policies, IAS 8 Changes in Accounting Estimates and Error - Amendments regarding the definition of "material"	January 01, 2020
IAS-1	Presentation of Financial Statements & Accounting Policies - Amendments regarding the classification of liabilities	January 01, 2023
IAS-16	Property, Plant and Equipment- Amendments prohibiting a Modaraba from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Modaraba is preparing the asset for its intended use	January 01, 2022
IAS-37	Provisions, Contingent Liabilities and Contingent Assets-Amendments regarding the costs to include when assessing whether a contract is onerous.	January 01, 2022
IAS-41	Agriculture-Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (taxation in fair value measurements)	January 01, 2020
IFRS-1	First-time Adoption of International Financial Reporting Standards- Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (subsidiary as a first-time adopter)	January 01, 2022
IFRS-3	Business Combinations - Amendments updating a reference to the Conceptual Framework	January 01, 2022
IFRS-3	Business Combinations - Investments in Associates and Joint Ventures amendments resulting from Annual Improvements 2014-2016 Cycle clarifying certain fair value measurements	January 01, 2020
IFRS-4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS-9	Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS-9	Financial Instruments -Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	January 01, 2022

IFRS-7 Financial Instruments: Disclosures - Amendments regarding pre- January 01, 2020 replacement issues in the context of the IBOR reform

IFRS-16 Leases - Amendment to provide lessees with an exemption from June 01, 2020 assessing whether a COVID-19 related rent concession is a lease modification

Revised Conceptual Framework January 01, 2020

New Standards issued by IASB but not yet been notified / adopted by SECP

Following new standards issued by IASB but not yet effective:

		Effective for the period beginning on or after
IFRS – 1	First Time Adoption of IFRS	January 01, 2004
IFRS – 17	Insurance Contracts	January 01, 2021

3 Summary of significant accounting policies

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

3.1 Taxation

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

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any, or Alternative Corporate Tax at the rate of 17% of accounting profit adjustable as per income tax laws, whichever is higher. However, the Modaraba is exempt from the provisions of minimum tax under clause 11A (XIII) of the Second Schedule to the Income Tax Ordinance, 2001. The charge for current tax includes adjustments to charge for prior years, if any. For income covered under final tax regime, provision for taxation is made as per the tax rates applicable to that regime in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of profit or loss, except where deferred tax arises on the items directly credited or charged to equity in which case it is included in equity.

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

3.2 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any except for freehold land and buildings. Freehold land is stated at revalued amount carried out by independent valuers by reference to its current market price less impairment loss, if any (refer to note - 4.1.6). Buildings on freehold land is stated at revalued amount carried out by independent valuers by reference to its current market price less accumulated depreciation and impairment loss, if any (refer to note - 4.1.6). Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the buildings, and the net amount is restated to the revalued amount of the buildings. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs. The cost of self constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the assets to a working condition for their use as intended by the management.

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

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

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

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

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

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

Capital work in progress

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

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

3.3 Right-of-use asset

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

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

3.4 Lease liability

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

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

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

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

3.5 Stores and spares

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

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

3.6 Stock in trade

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

3.7 Trade and other receivables

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

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

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

3.8 Cash and cash equivalents

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

3.9 Trade and other payables

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

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

3.10 Financial instruments

Recognition and measurement

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

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

The Modaraba has classified its Financial Assets based on the requirements as set out in IFRS 9 – Financial Instruments. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items and contains three principal classifications categories of financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets are generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables, available for sale and held for trading.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9.

- The determination of business model within which a financial asset is held
- The designation and revocation of previous designations pertaining to financial assets and liabilities.

Financial assets

(a) Financial Asset at Amortized Cost

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

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

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

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

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

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

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

Recognition and measurement

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

Financial liabilities

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

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

Offsetting of financial assets and financial liabilities

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

3.11 Impairment

Financial assets

A financial asset is impaired if the credit risk on that financial asset has increased significantly since the initial recognition. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss (ECL) model. Loss allowance for ECL on a financial asset is recognized to account for impairment.

If a financial asset has low credit risk at the date of initial application of IFRS9, then the Modaraba has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

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

Non-financial assets

The carrying amount of the Modaraba's non-financial assets, other than inventories 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 profit and 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.

3.12 Equity, reserves and profit distribution

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

Retained earnings include all current and prior period retained profits.

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

3.13 Surplus on revaluation of property, plant and equipment

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

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

3.14 Borrowings and borrowing costs

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

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

3.15 Employees retirement benefits - related party Defined contribution scheme

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

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

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

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

Defined benefit scheme

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

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

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

3.16 Provisions

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

3.17 Contingencies and commitments

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

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

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

3.18 Related party transactions

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

3.19 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees which is the Modaraba's functional and presentation currency using the exchange rates approximating those prevailing at the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss account. All non-monetary assets and liabilities are translated in Pak Rupees using the exchange rates prevailing on the date of transaction or at the date when the fair value was determined.

3.20 Segment reporting

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

3.21 Warranty costs

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

3.22 Revenue recognition

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

Revenue is recognized when control of a promised goods passes to a customer at a specific point in time. The customer obtains control of the goods when the significant risks and rewards of products sold are transferred according to the specific delivery terms that have been formally agreed with the customer, generally upon delivery from the manufacturing unit of the Modaraba.

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

Income from the following sources is recognized as under:

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

3.23 Earning per Modaraba certificate (EPC)

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

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

		2020	2019
	Note	(Rupees in thousand)	
4 Property, plant and equipment			
Operating fixed assets - tangible	4.1	8,251,962	7,282,780
Capital work in progress	4.2	166,415	1,400,106
		<u>8,418,377</u>	<u>8,682,886</u>

4.1 Operating fixed assets - tangible

Operating fixed assets - tangible

PARTICULARS	2020								
	COST / REVALUED AMOUNT				RATE %	ACCUMULATED DEPRECIATION			Net book value as at 30 June 2020
	As at 01 July 2019	Revaluation surplus	Transfers	As at 30 June 2020		As at 01 July 2019	For the year	As at 30 June 2020	
	(Rupees in thousand)								
<u>Owned</u>									
Freehold land	869,474	-	-	869,474		-	-	-	869,474
Buildings on freehold land	3,603,240	-	915,201	4,518,441	3.33 - 5	250,109	183,381	433,490	4,084,951
Leasehold improvements	23,299	-	-	23,299	10	3,355	1,165	4,520	18,779
Plant and machinery	3,468,392	-	418,356	3,886,748	6.75 - 10	467,996	272,752	740,748	3,146,000
Furniture, fittings and equipment	43,400	-	118,976	162,376	10	6,933	27,151	34,084	128,292
Computer equipment	6,570	-	5,601	12,171	25	3,202	4,503	7,705	4,466
	8,014,375	-	1,458,134	9,472,509		731,595	488,952	1,220,547	8,251,962

PARTICULARS	2019								
	COST / REVALUED AMOUNT				RATE %	ACCUMULATED DEPRECIATION			Net book value as at 30 June 2019
	As at 01 July 2018	Revaluation surplus	Transfers	As at 30 June 2019		As at 01 July 2018	For the year	As at 30 June 2019	
	(Rupees in thousand)								
<u>Owned</u>									
Freehold land	526,133	343,341	-	869,474	-	-	-	-	869,474
Buildings on freehold land	3,589,774	13,466	-	3,603,240	5	69,373	180,736	250,109	3,353,131
Leasehold improvements	4,791	18,508	-	23,299	10	3,115	240	3,355	19,944
Plant and machinery	3,451,949	-	16,443	3,468,392	6.75 - 10	235,198	232,798	467,996	3,000,396
Furniture, fittings and equipment	34,924	-	8,476	43,400	10	3,134	3,799	6,933	36,467
Computer equipment	4,426	-	2,144	6,570	25	1,967	1,235	3,202	3,368
	7,611,997	375,315	27,063	8,014,375		312,787	418,808	731,595	7,282,780

4.1.1 The carrying amount of the assets as at June 30, 2020 includes fully depreciated assets amounting to Rs. 101.322 million (2019: Rs. 92.182 million) but are still in use of the Modaraba.

4.1.2 The free hold land includes:

- land measuring 40 acres having value of Rs. 265.524 million situated at Sahianwala Faisalabad, purchased from Faisalabad Industrial Estate Development and Management Company in the year 2015 for the Battery project. This land is in possession and use of Modaraba since acquisition. However, legal title of the land is in the process of being transferred in its name at the balance sheet date.
- A piece of land measuring 18 kanal 11 marlas having cost in the sum of Rs. 235.324 million, situated at Raiwind Road for proposed expansion projects.

4.1.3 During the year, the Modaraba has reassessed and reviewed the useful lives of certain items of property, plant and equipment and as a result revised its estimate of depreciation for the building of its battery project in order to adopt a depreciation policy which reflects the best pattern of consumption and usage of economic benefits embodied in the state of the art, pre-engineered building of the newly developed project based on the usage, function and specifications as to the building structure. This revision in estimate is aligned, consistent and congruent with the norms prevalent in the industry for similar projects / items as regards to nature, model and technological specifications. This change in rate is a change in estimate and has been treated in accordance with para 36 of IAS 8, "Accounting Policies, Changes in Accounting estimates and Errors". The effect of these adjustments in these financial statements is as under:

Description	Depreciation rate (%)		Depreciation expense		Decrease in net loss	Reason of revision
	Existing	Revised	Existing	Revised		
Building - Battery project	5%	3.33%	265,504	177,002	88,502	Better presentation

The above change in estimate in the useful life of building of the battery project has also resulted in the corresponding increase in the carrying values of property, plant and equipment.

4.1.4 The depreciation charge for the year has been allocated as under:

	Note	2020 (Rupees in thousand)	2019
Cost of sales			
- Packaging solutions - corrugated boxes	24	23,731	19,062
- Soaps	24	3,752	2,809
- Batteries	24	454,822	390,521
Administration and general expenses	25	6,495	6,341
Selling and distribution cost	26	152	75
		488,952	418,808

4.1.5 Had the assets not revalued, the net book value of freehold land and buildings would have amounted to:

Freehold land	525,848	565,513
Buildings on freehold land	3,138,870	3,279,253
	3,664,718	3,844,766

4.1.6 Land and buildings of corrugation and soap projects were last revalued on June 30, 2019 by Messrs. Medallion Services Pvt Ltd (PBA approved independent valuers) resulting in fresh surplus of Rs. 375.315 million. Formerly, these assets were revalued by Messrs. Zafar Iqbal and Co. (PBA approved independent valuers) resulting in surplus of Rs. 43.95 million. The basis used for revaluation were as follows:

Freehold land

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

Buildings

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

4.2 Capital work in progress

The movement under this head of account is as follows:

Description	Opening balance	Additions / Adjustments	Transferred to Property, plant and equipment	Amount expensed out	Closing balance
Civil work	48,897	48,305	-	-	97,202
Plant, machinery and equipment	1,320,271	187,535	1,458,134	2,869	46,803
Advances for capital expenditure	30,938	(8,528)	-	-	22,410
2020 - Rs. in 000's	1,400,106	227,312	1,458,134	2,869	166,415
2019 - Rs. in 000's	1,137,394	292,136	27,063	2,361	1,400,106

5 Right of use asset (ROU)

	Note	2020 (Rupees in thousand)	2019
Cost as at 30 June 2020			
Effect of initial application of IFRS 16 - as at July 1, 2019		93,911	-
Less: Depreciation			
Charge for the year	5.1	(15,652)	-
Net book value as at 30 June 2020		78,259	-
Useful life / Lease term		6 years	-

5.1 The depreciation charge for the year on the right of use asset has been allocated as under:

Cost of sales - Soap Segment	24	10,534	-
Selling and distribution cost - battery segment	26	5,118	-
		15,652	

	<u>Note</u>	2020 (Rupees in thousand)	2019
6 Long term deposits - against:			
Rented premises		861	4,102
Utility deposits		6,790	6,790
Deposit - FESCO	6.1	35,560	-
Others		40	40
		<u>43,251</u>	<u>10,932</u>
6.1	This represents security deposit kept with Faysal Bank Limited for the issuance of guarantee in favor of FESCO and bears profit @ 10.25% (2019: Nil) per annum.		
7 Stores and spares			
Stores			
Corrugation		87,748	71,034
Soap		7,237	7,492
Battery		3,823	75
		98,808	78,601
Spares			
Corrugation		12,386	19,963
Soap		-	280
		111,194	98,844
Less:			
Provision for slow moving / obsolete stores		(5,523)	(5,523)
		<u>105,671</u>	<u>93,321</u>

8	Stock in trade	Note	2020	2019
			(Rupees in thousand)	
	Raw material	8.1		
	Corrugation		91,078	134,457
	Soap		22,464	38,394
	Battery		507,607	858,443
			621,149	1,031,294
	Packing material			
	Corrugation		584	525
	Soap		13,201	20,317
	Battery		6,722	15,975
			20,507	36,817
	Work in process			
	Corrugation		10,596	6,319
	Soap		223	-
	Battery		418,361	587,427
			429,180	593,746
	Finished goods	8.2		
	Corrugation		23,615	42,148
	Soap		23,613	53,097
	Battery		98,509	100,975
			145,737	196,220
			1,216,573	1,858,077
8.1	This includes raw material in transit amounting to Rs. 37.554 million (2019: Rs. 190.156 million).			
8.2	The stock in trade of battery segment has been written down to net realizable value by Rs. 20.091 million (2019: Nil), which is duly recognized in the cost of sales shown under "cost of sales" in accordance with the requirements of IAS - 2.			
9	Trade debtors			
	Trade debtors - unsecured:			
	Considered good	9.1	543,371	754,829
	Considered doubtful		52,148	31,174
			595,519	786,003
	Less: Impairment of trade debtors under expected credit loss		(52,148)	-
	Less: Provision for doubtful debts		-	(31,174)
		9.2	(52,148)	(31,174)
			543,371	754,829
9.1	These include balances receivable from the following related parties:			
	Associated undertakings			
	Renacon Pharma Limited		149	19
	Loads Limited		33	45
	Multiple AutoParts Industries (Pvt) Limited		1	3
	Specialized AutoParts Industries (Pvt) Limited		7	30
			190	97
	Year end balances having been the highest aggregated balances due from the above named related parties at the end of any month during the year.			
	The ageing analysis of unimpaired and past due balances receivable from the above named related parties is as follows:			
	Amount Not Due			
	Past due but not impaired			
	0-30 days		190	97
9.2	The reconciliation in this head of account is as follows:			
	Balance as at 01 July,		31,174	22,474
	Allowance for expected credit loss made during the year		24,149	-
	Provision for doubtful debts made during the year		-	8,700
	Written off		(3,175)	-
	Balance as at 30 June,		52,148	31,174
10	Advances, deposits, prepayments and other receivables			
	Advances to:			
	Employees against expenses - secured, considered good	10.1	1,407	-
	Suppliers - unsecured, considered good - local		109,459	481,814
	Khatoon Industries Limited against plant rentals		-	6,649
			110,866	488,463

		2020	2019
		(Rupees in thousand)	
Trade deposits		9,171	9,231
Prepayments			
Prepaid insurance		-	22,541
Prepaid rent		-	1,949
Prepaid expenses		-	20,100
		-	44,590
Other receivables - unsecured and considered good			
Balance with statutory authorities	10.2	2,649	1,986
Export rebate receivable		2,432	1,334
Due from related party - Loads Limited	10.3	7,520	6,944
		12,601	10,264
		132,638	552,548
10.1	These are secured against staff retirement benefit plans which are being maintained by Messrs. Treet Corporation Limited, a parent company of the Modaraba. These are interest free and are recovered subsequent to the balance sheet date.		
10.2	This represents amounts given to Collector of Customs which will be adjusted against the letters of credit. This is unsecured, interest free and adjusted subsequent to the balance sheet date.		
10.3	This represents the current account with the aforementioned associated company, which is unsecured and interest free. The highest aggregated balance due from this party at the end of any month during the year was Rs. 7.520 million (2019: 6.944 million).		
10.4	The ageing analysis of unimpaired and past due balance receivable from related party is as follows:		
	Amount Not Due	-	-
	Past due but not impaired		
	0-30 days	-	-
	31-60 days	-	-
	61-90 days	-	-
	91-365 days	-	-
	More than 1 year	576	6,944
		6,944	-
	Total gross amount due	7,520	6,944
11 Tax refunds due from the Government			
Sales tax adjustable		710,831	1,017,183
Income tax refundable		133,318	106,322
		844,149	1,123,505
12 Cash and bank balances			
Cash in hand		47,918	68,986
Cash at banks in:			
Current accounts		65,798	19,170
Saving accounts	12.1	55,421	11,440
		121,219	30,610
		169,137	99,596
12.1	These carry profit rates ranging between 4% to 11.25% (2019: 3.5% to 11.33%) per annum. These deposits are maintained under Shariah permissible arrangement.		
13 Authorized Certificate Capital			
	2020 (Number of certificates)	2019 (Rupees in thousand)	
	450,000,000	450,000,000	Modaraba Certificates of Rs. 10 each
		4,500,000	4,500,000
14 Issued, subscribed and paid-up certificate capital			
	2020 (Number of certificates)	2019 (Rupees in thousand)	
	195,599,994	195,599,994	Modaraba Certificates of Rs. 10 each fully paid-up in cash
		1,956,000	1,956,000

14.1 As at 30 June 2020, Treet corporation Limited, the holding company holds 87.35% (2019: 87.35%) of the entire capital comprising of Rs. 10 each i.e. 170,851,700 (2019: 170,851,700) certificates of the Modaraba. In addition 10.02% of the certificate capital comprising 19,590,562 (2019: 19,590,562) certificates of Rs. 10 each are held by the Modaraba Management Company i.e. Treet Holdings Limited.

	Note	2020 (Rupees in thousand)	2019
15 Statutory reserves		511,941	511,941
This represents profit set aside in compliance with the requirements of Prudential Regulations for Modaraba's along with circular 11 of 2006 issued by the Securities and Exchange Commission of Pakistan and can be utilized only for the purpose specified in regulation 2 of part III of the Prudential Regulations. Since the Modaraba is in losses, therefore no transfer to the fund is applicable in the instant case.			
16 Certificate premium		1,952,870	1,952,870
This represents Certificate premium at the rate of Rs. 30 per certificate net of transaction costs amounting to Rs. 3.130 million, against the issuance of right Modaraba certificates. This reserve can be utilized by the Modaraba only for the purposes specified in section 81(2) of the Companies Act, 2017.			
17 Surplus on revaluation of property, plant and equipment		385,359	387,476
17.1 The reconciliation of this head of account is as follows:			
Gross Surplus			
Balance as at July 01,		387,476	26,989
Add: Fresh surplus arose during the year		-	375,315
Less: Transferred to retained earnings on account of:			
Incremental depreciation		(2,982)	(1,382)
Sale of land classified as held for sale		-	(4,575)
Balance as at June 30,		384,494	396,347
Less: Deferred tax			
on fresh revaluation	19	-	(9,272)
on incremental depreciation		865	401
Net surplus		385,359	387,476
Surplus attributed to:			
Land and buildings		385,359	387,476

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

18 Lease liability		54,511	-
The movement in this head of account is as follows:			
Effect of initial application of IFRS 16 - as at July 1, 2019		82,974	-
Less: Payments made during the year		(12,483)	-
Balance as at 30 June 2020		70,491	-
Less: Current portion shown under current liabilities		(15,980)	-
		54,511	-

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

	Minimum lease payments		Present value of MLP	
	2020	2019	2020	2019
	(Rupees in thousand)		(Rupees in thousand)	
Not later than one year	19,648	-	15,980	-
Later than one year but not later than five years	94,744	-	54,511	-
	114,392	-	70,491	-
Less: finance cost allocated to future periods	(43,901)	-	-	-
	70,491	-	70,491	-
Less: current portion shown under current liabilities	(15,980)	-	(15,980)	-
	54,511	-	54,511	-

The Modaraba had entered into lease arrangement with Messrs. Khatoon Industries Limited (KIL) for its soap manufacturing facility on 1 July, 2010 for a period of 10 years which expired on 30 June, 2020. However, this arrangement has been renewed on 1 July, 2020 for a lease term of 5 years. During the year, the Modaraba has adopted IFRS - 16 w.e.f 1 July, 2019 and taken into account this arrangement as finance lease after the consideration of substance of the arrangement, specific manufacturing facility for the Modaraba, lease term and renewal option from the adoption date. The present value of the lease liability has been determined without considering the renewal option after the lapse of 5 years as the lease term is not certain after that date.

In addition to the above, the Modaraba had another lease arrangement for a period of 5 years of a battery warehouse with a renewal option for another 5 years at the end of the lease term. This arrangement has also been accounted for in accordance with the IFRS - 16 w.e.f. 1 July, 2019.

	Note	2020 (Rupees in thousand)	2019
19 Deferred taxation			
Deferred tax liabilities in respect of taxable temporary differences:			
Accelerated tax depreciation and allowance of assets and ROU		761,403	626,623
Deferred tax assets in respect of deductible temporary differences:			
Provision for slow moving/obsolete stores		(1,584)	(1,602)
Provision for doubtful debts		(14,960)	(9,040)
Provision for warranty		(31,609)	(9,433)
Lease liability		(20,222)	-
Unused losses		(1,658,403)	(742,917)
Unused tax credits		-	(822)
		(1,726,778)	(763,814)
Net deferred tax asset		(965,375)	(137,191)
Less: deferred tax asset / (liability) attributable to revaluation surplus	17	865	(8,871)
Net deferred tax asset		(964,510)	(146,062)
Deferred tax asset not recognized in the profit and loss account		964,510	146,062
Deferred tax income recognized in the profit and loss account		-	-
19.1	The deferred tax assets amounting to Rs. 964.510 million (2019: Rs. 146.062 million) are not recognized in these financial statements as the certainty of the taxable profits / taxable differences in the foreseeable future is not assured.		
19.2	The breakup of expiry date of the unused losses for which no deferred tax asset has been recognized in these financial statements is as follows:		
	<u>Expiry date (year)</u>		
	2025	698,070	742,917
	2026	960,333	-
		1,658,403	742,917
20 Short term borrowings			
From banking companies - secured and profit bearing			
Running finances - Islamic mode of financing	20.1	4,015,345	3,514,387
Import Murabaha	20.2	212,391	409,958
		4,227,736	3,924,345
From related parties - unsecured			
Treet Corporation Limited - holding company	20.3	7,375,105	6,462,909
		11,602,841	10,387,254
20.1 Running finances - Islamic mode of financing			
These represent Istisna and Musharaka finance facilities obtained from various financial institutions under shariah arrangements for the manufacturing of corrugated boxes, soaps and batteries out of the total sanctioned limits of Rs. 4,587.50 million (2019: Rs. 3,757.5 million).			

20.2 Import Murabaha

These represent Import Murabaha finance facilities obtained from various financial institutions under shariah arrangements for the retirements of letters of credit for import of plant & machinery, raw materials, stocks, chemicals, stores, tools and spare parts etc., out of the total sanctioned limits of Rs. 300 million (2019: Rs. 1,000 million).

20.3 Treet Corporation Limited - holding company

This represents loan obtained from the above named related party towards the development project cost of the Battery project and working capital requirements of the Modaraba. It is unsecured, carries no profit and payable on demand, particularly when the project will have profitable operations and generate sufficient cash flows.

20.4 The Modaraba has no unavailed credit facilities in addition to the facilities as disclosed in notes 20.1 and 20.2 above, at the terminal date. In addition to this, total sanctioned limit of letters of guarantee from Bank Alfalah Limited in the sum of Rs. 60 million (2019: Rs. 60 million) is also available with the Modaraba at the terminal date.

20.5 All the short term borrowings from the various financial institutions / banking companies as disclosed in notes 20.1 and 20.2 to these financial statements carry profit rates ranging from 9.72% to 16.40% (2019: 6.83% to 15.12%) per annum, payable quarterly. Further these are secured against ownership of goods and 1st Joint Pari Passu charge over all present and future current assets and plant & machinery of the Modaraba amounting to Rs. 6,073 million (including 25% safety margin).

20.6 During the year the State Bank of Pakistan has granted regulatory relief to dampen the effects of COVID - 19, a pandemic declared by WHO, whilst enabling the banks and DFI's in fulfilling their roles for the provision of finance to meet the economic and financial requirements of various business enterprises. Towards this endeavor, some of the conventional / Islamic banks and financial institutions of the Modaraba have granted deferments in the payment of principal portion of the borrowings to the Modaraba for one year after the processing and approval of requisite application of the Modaraba by the competent authorities of the banks requesting this facility. This facility in the favor of Modaraba is under consideration by the remaining banks at the terminal date and will be processed in due course of time.

	<u>Note</u>	2020 (Rupees in thousand)	2019
21 Trade and other payables			
Creditors			
Foreign		12,369	4,160
Local	21.1	231,099	379,600
		243,468	383,760
Payable to related parties - unsecured, interest free			
Treet Corporation Limited		35,000	35,000
Accrued liabilities		95,087	44,261
Provision for warranty		110,184	32,529
Withholding sales tax payable		4,184	2,196
Temporary book overdraft - unsecured	21.2	32,169	77,930
Contract liabilities	21.3	67,749	30,527
Income tax deducted at source payable		5,295	12,293
Unclaimed dividend		34	34
Other payables		1,941	4,369
		595,111	622,899
21.1 These include balances payable to the following related parties:			
Associated undertakings			
Packages Limited		11,484	2,346
Treet HR Management (Private) Limited		1,088	-
IGI Insurance Limited		-	291
Renacon Pharma Limited		24	-
		12,596	2,637
21.2 This represents unrepresented cheques at the terminal date, which have been cleared subsequent to the balance sheet date.			
21.3 These represent advances received from customers against the onward sale of goods by the Modaraba.			

22 Contingencies and commitments

22.1 Contingencies

For the tax years 2011 and 2012, the Deputy Commissioner Inland Revenue (DCIR) passed orders under sections 161 and 205 of the Income Tax Ordinance, 2001 creating tax demands of Rs. 1.520 million and Rs. 41.364 million respectively. The Modaraba filed appeals against the orders passed by DCIR before Commissioner Inland Revenue CIR (Appeals - II) who decided the matters in favor of the Modaraba by deleting the tax demands. Tax department filed appeals since 07-04-2014 and 15-04-2014 against the decision of CIR (Appeals - II) before Appellate Tribunal Inland Revenue (ATIR) which are pending adjudication. The management and tax advisor of the Modaraba are of the view that favorable outcome is expected in the instant case as the Modaraba is fully compliant of withholding tax provisions.

- 22.2** For the tax year 2017, the Inland Revenue Officer (IRO), E & C Unit-VII, Range-II, Zone-VI, CRTO, Lahore, passed orders under sections 161 and 205 of the Income Tax Ordinance, 2001 and arbitrarily created a tax demand of Rs. 1.807 million. The Modaraba filed appeals since 19-04-2018 against the order passed by IRO before Commissioner Inland Revenue (CIR) Appeals, Zone-II, Lahore which is pending adjudication. The management and tax advisor of the Modaraba are of the view that favorable outcome is expected in the instant case as the Modaraba is fully compliant of withholding tax provisions.
- 22.3** For the tax period April 2016 to July 2017, the Assistant Commissioner Inland Revenue (ACIR), E & C Unit - 07, Zone-VI, CRTO, Lahore passed order under section 25 of the Sales Tax Act, 1990 creating a sales tax demand of Rs. 26.067 million along with penalty of Rs. 1.303 million mainly on the issue of inadmissibility of input sales tax and adjustment thereof against illegal claim. The Modaraba filed appeals since 28-07-2020 against the order passed by ACIR before Commissioner Inland Revenue CIR (Appeals), Zone-I, Lahore which is pending adjudication. The management and tax advisor of the Modaraba are of the view that the tax demand will be deleted by appellate authorities based on decision in favor of Registered Person (RP) on this issue by the Lahore High Court, Lahore.

	2020 (Rupees in thousand)	2019
22.4 Guarantees	7,245	-
22.5 Capital Commitments		
- Plant and machinery	-	115,282
- Civil Work	27,052	-
22.6 Letters of credit		
Outstanding letters of credit	-	483,572

Note	Corrugated Boxes		Soaps		Battery		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
(Rupees in thousand)								
23 Revenue - net								
External customers								
Local	1,640,366	2,061,459	927,475	1,093,066	2,942,346	2,375,956	5,510,187	5,530,481
Export	-	-	-	-	50,489	81,736	50,489	81,736
Treet Corporation Limited - Associated undertaking	16,366	24,893	-	-	-	-	16,366	24,893
Renacon Pharma Limited - Associated undertaking	16,381	15,152	-	-	-	-	16,381	15,152
	1,673,113	2,101,504	927,475	1,093,066	2,992,835	2,457,692	5,593,423	5,652,262
Inter segment sales	12,335	19,631	-	-	-	-	12,335	19,631
Sale of scrap (waste paper and lead)	91,457	111,908	-	-	125,593	84,203	217,050	196,111
	1,776,905	2,233,043	927,475	1,093,066	3,118,428	2,541,895	5,822,808	5,868,004
Less:								
Sales tax	(242,328)	(303,121)	(156,625)	(192,155)	(427,405)	(309,957)	(826,358)	(805,233)
Trade discount	(1,175)	(1,264)	(676)	(608)	(504,477)	(387,665)	(506,328)	(389,537)
	(243,503)	(304,385)	(157,301)	(192,763)	(931,882)	(697,622)	(1,332,686)	(1,194,770)
Elimination of inter segment sales	(12,335)	(19,631)	-	-	-	-	(12,335)	(19,631)
	1,521,067	1,909,027	770,174	900,303	2,186,546	1,844,273	4,477,787	4,653,603
24 Cost of sales								
Opening stock- raw and packing material	134,982	220,011	58,711	45,665	874,418	513,851	1,068,111	779,527
Add: Purchases								
Inter-segment	-	-	12,335	19,631	-	-	12,335	19,631
Others	1,123,662	1,307,254	550,174	729,869	1,259,707	2,335,159	2,933,543	4,372,282
	1,123,662	1,307,254	562,509	749,500	1,259,707	2,335,159	2,945,878	4,391,913
Less: Closing stock	(91,662)	(134,982)	(35,665)	(58,711)	(514,329)	(874,418)	(641,656)	(1,068,111)
Elimination of Inter segment purchases	-	-	(12,335)	(19,631)	-	-	(12,335)	(19,631)
Raw and packing material consumed	1,166,982	1,392,283	573,220	716,823	1,619,796	1,974,592	3,359,998	4,083,698
Stores and spares consumed	36,493	58,884	1,791	4,204	20,728	44,752	59,012	107,840
Out sourcing of manpower	176,550	222,058	46,166	37,074	368,233	341,289	590,949	600,421
Fuel and power	68,323	67,410	10,393	9,027	255,178	329,516	333,894	405,953
Freight and forwarding	69,654	67,823	13,584	18,286	53,809	42,796	137,047	128,905
Depreciation on operating fixed assets	23,731	19,062	3,752	2,809	454,822	390,521	482,305	412,392
Depreciation on ROU asset	-	-	10,534	-	-	-	10,534	-
Repair and maintenance	9,022	14,008	816	1,351	26,683	45,696	36,521	61,055
Travelling and conveyance	2,670	4,401	446	338	17,131	25,132	20,247	29,871
Insurance	5,454	7,033	740	1,697	28,286	23,224	34,480	31,954
Rent, rates and taxes	-	827	-	-	1,106	947	1,106	1,774
Plant rental	-	-	-	12,260	-	-	-	12,260
Other manufacturing expenses	5,263	10,096	4,915	5,993	23,387	27,332	33,565	43,421
	1,564,142	1,863,885	666,357	809,862	2,869,159	3,245,797	5,099,658	5,919,544
Work in process								
Add: Opening stock	6,319	10,723	-	547	587,427	242,745	593,746	254,015
Less: Closing stock	(10,596)	(6,319)	(223)	-	(418,361)	(587,427)	(429,180)	(593,746)
Cost of goods manufactured	1,559,865	1,868,289	666,134	810,409	3,038,225	2,901,115	5,264,224	5,579,813
Finished goods								
Add: Opening stock	42,148	34,444	53,097	42,980	100,975	147,817	196,220	225,241
Less: Closing stock	(23,615)	(42,148)	(23,613)	(53,097)	(98,509)	(100,975)	(145,737)	(196,220)
	1,578,398	1,860,585	695,618	800,292	3,040,691	2,947,957	5,314,707	5,608,834

24.1 Salaries and other benefits include Rs. 5.863 million (2019: Rs. 3.544 million) for corrugation segment, Rs. 1.351million (2019: Rs. 0.360 million) for soap segment and Rs. 2.986million (2019: 1.589 million) for battery segment in respect of contribution to staff retirement benefit plans.

	<i>Note</i>	2020 (Rupees in thousand)	2019
25 Administration and general expenses			
Management cost charged by Treet Corporation Limited		800,306	580,897
Out sourcing of manpower	25.1	24,607	24,837
Auditors' remuneration	25.2	3,231	3,983
Services charges charged by the parent company		35,000	35,000
Rent, rates and taxes		127	147
Legal and professional		35,155	10,439
Vehicle running and maintenance		40	44
Printing and stationery		509	727
Travelling and conveyance		4,594	9,131
Postage and telephone		187	156
Depreciation on operating fixed assets		6,495	6,341
Others		2,625	6,394
		912,876	678,096
25.1 Salaries and other benefits include Rs. 0.629 (2019: Rs. 0.333) million for corrugation segment, Rs. 0.124 (2019: Rs. 0.079) million for soap segment and Rs. 0.03 (2019: 0.017) million for battery segment in respect of contribution to staff retirement benefit plans.			
25.2 Auditors' remuneration			
Kreston Hyder Bhimji & Co.			
Audit fee		750	750
Half year review		250	250
Tax services		2,008	2,760
Out of pocket expenses		223	223
		3,231	3,983
26 Selling and distribution cost			
Out sourcing of manpower	26.1	111,583	124,958
Fuel and power		100	209
Rent, rates and taxes		28,379	37,634
Repair and Maintenance		1,551	2,501
Advertisement		168,183	96,876
Travelling and conveyance		32,102	24,647
Postage and telephone		2,687	1,214
Printing and stationery		43	264
Royalty		38,309	9,502
Provision for doubtful debts	9.2	-	8,700
Warranty claims and provisions		278,794	127,975
Depreciation on operating fixed assets		152	75
Depreciation on ROU asset	5.1	5,118	-
Others		26	4,876
		667,027	439,431
26.1 Salaries and other benefits include Rs. 0.762 (2019: Rs. 0.470) million for corrugation segment and Rs. 0.378 (2019: Rs. 0.196) million for battery segment in respect of contribution to staff retirement benefit plans.			

	<i>Note</i>	2020 (Rupees in thousand)	2019
27 Other Expenses			
Impairment of trade debtors under expected credit loss	9.2	<u>24,149</u>	<u>-</u>
28 Finance cost			
Financial charges on:			
Istisna finance		418,704	138,885
Musharaka finance		70,668	151,458
Murabaha finance		67,311	15,054
Musawamah finance		-	2,631
Karobar finance		51,494	-
Lease liability		1,179	-
Bank charges		5,142	3,679
Exchange loss		<u>284</u>	<u>34,317</u>
		<u>614,782</u>	<u>346,024</u>
29 Other income			
<i>Income from financial assets</i>			
Profit on bank and other deposits	29.1	4,243	4,503
Recovery of bad debts written off in the past		-	294
		4,243	4,797
<i>Income from non financial assets</i>			
Sale of scrap		1,510	1,994
Gain on sale of land classified as held for sale		-	18,865
Others		1,960	1,334
		<u>3,470</u>	<u>22,193</u>
		<u>7,713</u>	<u>26,990</u>

29.1 These profits are earned on accounts and deposits maintained under Shariah permissible arrangement. These include profit amounting to Rs. 1,571,855 (2019: Nil) on the deposit kept with Faysal bank in favor of FESCO.

	<i>Note</i>	2020 (Rupees in thousand)	2019
30 Taxation			
Current			
Normal tax	30.1	-	-
Presumptive tax		361	-
Prior year		817	-
Deferred		1,178	-
For the year	19	-	-
		<u>1,178</u>	<u>-</u>

30.1 Due to loss for the year, no provision for income tax under the normal tax regime or alternate corporate tax is required in the instant case. Further, the provision of minimum tax is also not applicable for Modaraba's as provided by Clause - 11A (XIII) of the Second Schedule to the Income Tax Ordinance, 2001.

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

		2020	2019
31 Loss per Modaraba certificate - basic and diluted			
<i>Loss after taxation</i>	<i>Rupees in thousand</i>	<u>(3,049,219)</u>	<u>(2,391,792)</u>
Weighted average number of certificates	<i>Numbers in thousand</i>	<u>195,600</u>	<u>195,600</u>
<i>Loss per certificate (basic) :</i>	<i>(Rupees)</i>	<u>(15.59)</u>	<u>(12.23)</u>

There is no dilutive effect on the basic loss per modaraba certificate as the Modaraba has no potentially issuable certificates in issue and such commitments at the terminal date.

32 Operating segment results

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

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

[illegible]

33 Financial Instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

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

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

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

33.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Modaraba if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Modaraba maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed. The credit risk arises principally from the Modaraba's receivables from customers, refundable deposits and advances, other receivables and bank balances. Out of the total financial assets of Rs. 776.289 million (2019: Rs. 882.866 million) financial assets which are subject to credit risk amounted to Rs. 728.371 million (2019: Rs. 813.880 million).

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

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

	Note	2020 (Rupees in thousand)	2019
FINANCIAL ASSETS			
Long term deposits	6	43,251	10,932
Trade debtors	9	543,371	754,829
Advances, deposits and other receivables	10	20,530	17,509
Bank balances	12	121,219	30,610
		728,371	813,880

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

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

Not past due	290,614	294,027
Past due but not impaired		
Less than 30 days	51,851	186,747
Past due 1 - 3 months	66,948	103,627
Past due 3 - 6 months	63,462	103,690
Past due 6 - 12 months	47,218	38,236
Above one year	23,278	28,502
	543,371	754,829

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

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

Banks	Rating		Rating agency	2020	2019
	Short term	Long term		(Rupees in thousand)	
MCB Bank Limited	A-1+	AAA	PACRA	12,500	1,195
United Bank Limited	A-1+	AAA	JCR-VIS	1,145	4,717
Bank Islami Pakistan Limited	A-1	A+	PACRA	963	610
National Bank of Pakistan	A-1+	AAA	PACRA	6,371	794
Habib Bank Limited	A-1+	AAA	JCR-VIS	16,645	1,068
Bank Alfalah Limited	A-1+	AA+	PACRA	2,238	768
Al Baraka Bank Limited	A-1	A	PACRA	834	17
Faysal Bank Limited	A-1+	AA	PACRA	825	704
Dubai Islamic Bank Pakistan Limited	A-1+	AA	JCR-VIS	17,594	147
Soneri Bank Limited	A-1+	AA-	PACRA	1,793	4,249
JS Bank Limited	A-1+	AA-	PACRA	25	1,031
Askari Bank Limited	A-1+	AA+	PACRA	239	471
Meezan Bank Limited	A-1+	AA+	JCR-VIS	44,430	6,356
Bank Al Habib Limited	A-1+	AA+	PACRA	7,110	6,092
Allied Bank Limited	A-1+	AAA	PACRA	7,055	592
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	1,452	1,799
				121,219	30,610

Exposure to credit risk

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

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

Corporate information and relationship with banks.

The Modaraba has relationship on Islamic side with the banks having Islamic window operations.

33.2 Liquidity risk

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

The Board of Directors has built an appropriate liquidity risk management framework for the management of the Modaraba's short, medium and long-term funding and liquidity management requirements. The Modaraba manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The notes 20.1 and 20.2 to these financial statements also include unavailed credit facilities at the balance sheet date that the Modaraba has at its disposal to further reduce liquidity risk.

The table below summaries the maturity profiles of Modaraba's financial liabilities as on June 30, 2020 based on contractual undiscounted payments date and present market interest rates.

	-----2020-----				
	Carrying amount	Contractual cash flows	6 Months or less	6-12 months	More than 1 year
	------(Rupees in thousand)-----				
Retention money payable	14,562	14,562	-	14,562	-
Trade and other payables	407,699	407,699	95,087	312,612	-
Short term borrowings	11,602,841	11,602,841	-	11,602,841	-
Accrued profit on borrowings	265,165	265,165	265,165	-	-
	<u>12,290,267</u>	<u>12,290,267</u>	<u>360,252</u>	<u>11,930,015</u>	<u>-</u>
	-----2019-----				
	Carrying amount	Contractual cash flows	6 Months or less	6-12 months	More than 1 year
	------(Rupees in thousand)-----				
Retention money payable	21,662	21,662	-	21,662	-
Trade and other payables	577,883	577,883	44,261	533,622	-
Short term borrowings	10,387,254	10,387,254	-	10,387,254	-
Accrued profit on borrowings	91,765	91,765	91,765	-	-
	<u>11,078,564</u>	<u>11,078,564</u>	<u>136,026</u>	<u>10,942,538</u>	<u>-</u>

33.3 Market risk

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

33.3.1 Currency risk

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

	2020 (\$ in thousand)	2019
Creditors in foreign currency	73	25

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2020	2019	2020	2019
USD to PKR	166.63	143.05	168.75	164.5

Cash flow sensitivity analysis for foreign currency instruments

At June 30, 2020, if the Rupee had (weakened) / strengthened by 5% against the US dollar with all other variables held constant, loss for the year would have been (higher) / lower by Rs. 0.618 (2019: Rs. 0.208) million, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade payables.

33.3.2 Profit rate risk

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

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

	2020 (Rupees in thousand)	2019
Variable pricing rate financial assets		
Bank balances at PLS accounts	55,421	11,440
Variable pricing rate financial liabilities		
Short term borrowings	4,227,736	3,924,345

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

Cash flow sensitivity analysis for variable rate instruments

Sensitivity analysis for variable rate assets

If profit rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation would have been decreased / (increased) by Rs. 0.554 million (2019: Rs. 0.114 million). This analysis is prepared without taking in account taxation effect and applying +/-1% discount factor on cash at banks in saving accounts reported in these financial statements.

Sensitivity analysis for variable rate liabilities

If profit rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation would have been (increased) / decreased by Rs. 42.277 million (2019: Rs. 39.243 million). This analysis is prepared without taking in account taxation effect and applying +/-1% discount factor on short term borrowings reported in these financial statements.

33.3.3 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments trading in market.

Exposure to price risk

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

33.4 Financial instruments by category

	2020	2019
	(Rupees in thousand)	
Financial assets as per balance sheet		
<i>At amortized cost</i>		
Long term deposits	43,251	10,932
Trade debtors	543,371	754,829
Advances and other receivables	20,530	17,509
Cash and bank balances	169,137	99,596
	776,289	882,866
Financial liabilities as per balance sheet		
<i>At amortized cost</i>		
Trade and other payables	407,699	577,883
Retention money	14,562	21,662
Accrued profit on secured borrowings	265,165	91,765
Short term borrowings	11,602,841	10,387,254
	12,290,267	11,078,564

33.5 Operational risk

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

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

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

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

33.6 Investment risk

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

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

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

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

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

33.7 Regulatory risk

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

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

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

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

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

Land, buildings and plant and machinery are carried at revaluation model and the fair values have been determined using the valuation methods / techniques as disclosed in note 4.1.6. The fair value hierarchy is Level 2 for these non-financial assets.

33.9 Capital management

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

The Modaraba's objectives when managing capital are:

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

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

The gearing ratios as at June 30, 2020 are as follows:

	2020 (Rupees in thousand)	2019
Total debt - short term borrowings	4,227,736	3,924,345
Total equity	(1,006,377)	2,042,842
Gearing ratio	-420%	192.10%

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

34 Related party disclosures

A. Related party relationships

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

Name of Related party	Nature of relationship	Basis of relationship	Percentage of shareholding
Treet Corporation Limited	Holding Company	Shareholding and common directorship	87.35%
Treet Holdings Limited	Management Company	Shareholding and common directorship	10.02%
Packages Limited Treet HR Management (Private) Limited Cutting Edge (Private) Limited Liaquat National Hospital Gulab Devi Chest Hospital Ali Automobile (Private) Limited Loads Limited Hi-Tech Alloy Wheels Limited Global Arts Limited Treet Power Limited Treet Battery Limited Multiple Auto parts Industries (Pvt) Limited Specialized Auto parts Industries (Pvt) Limited Specialized Motorcycle (Pvt) Limited Elite Brands Limited IGI Insurance Limited PSV (Private) Limited Renacon (Private) Limited Global Assets (Private) Limited	Associated Undertaking	Common Directorship	NIL

B. Related party transactions

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

Name of the party	Nature of transactions	2020 (Rupees in thousand)	2019
<u>Holding Company</u>			
Treet Corporation Limited	Sale of corrugated boxes	16,366	24,893
	Service charges charged by parent company	35,000	35,000
	Expenses for operational activities	800,306	580,896
<u>Modaraba Management Company</u>			
Treet Holdings Limited	Purchase of goods	----	1,886
<u>Associated undertakings</u>			
Packages Limited	Purchase of goods	56,053	97,131
IGI Insurance Payable	Services received	29,970	45,630
Treet HR Management (Private) Limited	Services received	13,050	11,250
Liaquat National Hospital	Services rendered	323	-
Elite Brands Limited	Sale of goods	44,672	-
Loads Limited	Sale of batteries	144	-
Multiple AutoParts Industries (Pvt) Limited	Sale of batteries	42	-
Specialized AutoParts Industries (Pvt) Limited	Sale of batteries	114	-
Renacon Pharma Limited	Sale of corrugated boxes	16,381	15,152
	Sale of batteries	117	-

- 34.1** All the transactions with the related parties are executed in the normal course of business on the basis of mutually agreed terms and conditions.
- 34.2** All the executives, officers and other employees of the Modaraba have been outsourced from its related party namely Treet HR Management (Private) Limited.
- 34.3** One of the directors is working as CEO of the Modaraba Management Company. No remuneration has been paid to CEO or any director of the Modaraba. No fees for attending the meeting has been paid to directors during the year (2019: Rs. Nil).

34.4 Remuneration of Directors and Executives

The aggregated amounts charged in these financial statements for the remuneration, including all benefits, to the Executives of the company were as follows:

	2020 (Rupees in thousand)	2019
Managerial remuneration	195,744	227,187
Bonus	-	10,973
Medical allowance	19,574	22,719
House rent allowance	17,383	17,777
Utilities allowance	3,863	3,950
Other perquisites	5,654	3,372
Employees' funds		
-Provident fund	3,704	3,844
-Housing fund	986	2,146
-Service fund	3,704	3,839
-Benevolent fund	324	545
-Superannuation fund	296	512
	9,014	10,886
	251,232	296,864
Number of executives	24	25

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

35 Plant capacity and production

	UOM	Annual rated capacity	
		2020	2019
Corrugated boxes	Metric Tons	30,000	30,000
Soaps	Metric Tons	5,000	5,000
Batteries	Numbers	1,200,000	1,200,000
	UOM	Annual production	
		2020	2019
Corrugated boxes and sheets	Metric Tons	19,675	25,866
Soaps	Metric Tons	3,194	4,673
Batteries	Numbers	429,961	281,016

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

36 Entity-wide information and disclosure

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

36.1 Information about products

Sale of corrugation and battery segments represent 34.42% (2019: 41.45%) and 47.65% (2019: 38.69%) respectively of the total revenue of the Modaraba.

36.2 Information about geographical areas

99.10% (2019: 98.48%) of the sales of Modaraba relate to customers in Pakistan.
0.90% (2019: 1.52%) of the sales of Modaraba relate to customers outside Pakistan of which 100% of the sales made to Afghanistan.

All non-current assets of the Modaraba as at June 30, 2020 and 2019 are also located in Pakistan.

36.3 Information about customers

During the year, revenue from a single customer as regards to corrugation segment only comprises approximately 6.06% (2019: 13.31%) of the total revenue of the Modaraba.

37 Date of authorization for issue

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

38 General

38.1 Corresponding figures have been re-arranged or reclassified wherever necessary, for the purposes of comparison and better presentation as per reporting framework. Material rearrangement and reclassification of the corresponding figures was made during the year are as follows:

	2019 (Rupees in thousand)	Reclassification	
		From	To
Rental charged by the parent company	35,000	Cost of Sales	Administration and general expenses
Freight and forwarding	128,905	Selling and distribution cost	Cost of sales
Reimbursement from Khatoon Industries Limited against utilities expenses	6,912	Other income	Cost of sales
Provision for warranty	32,529	Accrued liabilities	Provision for warranty - separate line item under trade & other payable
Scrap Sales - battery	84,203	Other income	Revenue


38.2 The COVID - 19 pandemic has played havoc on the world economies and Pakistan's economy is no exception. Unprecedented economic recession is underway which has profoundly impacted the financial health of every sector of the economy. The Modaraba has lost approximately Rs. 639.263 million worth of its revenue due to eight weeks lockdown during the last quarter of financial year. This loss of revenue attributable to corrugation, soap and battery segments is Rs. 308.857 million, Rs. 78.687 million and Rs. 251.719 million respectively.

In order to give support to the economy, the Government of Pakistan, the FBR along with State Bank of Pakistan, introduced various relaxations to the business community for the continuity and sustainability of economic activities. This mainly includes, but not limited to, downward revision of central bank policy rate, SBP subsidized lending for salaries and wages, deferral in the payment of principal portion of borrowings for one year from the various financial institutions processing and payment of sales tax refunds mainly to exporters, customs rebates, etc. The Modaraba has taken full advantage of these relaxations wherever applicable. However the reduction in bank policy rate has been the biggest advantage for the Modaraba. Going forward, it is expected that the world will fast learn to live with this change, hence, economic activities will start accelerating at a moderate rate which will eventually create demand for the Modaraba's products. Towards this endeavor, the management of the Modaraba is making all out efforts and taking remedial measures for the improved profitability but not limited to repricing and repositioning of the products in the best mix as per market segmentation as already disclosed in note 1.2.

38.3 The Modaraba company has been making payments/contributions of its employees on account of their retirement benefits, which have been maintained on the basis of group by the parent company - Treet Corporation Limited. Accordingly, the related disclosure as regard to the Employees Retirement Benefits have also been made in the financial statements of the parent company.

Lahore

October 05, 2020


Syed Shahid Ali
Chief Executive Officer


M. Mohtashim Aftab
Chief Financial Officer


Imran Azim
Director

PATTERN OF CERTIFICATE-HOLDING AS AT JUNE 30, 2020

Number of Certificate Holders	From	To	Total Certificate Held	Physical	CDC
37	1	100	568		568
42	101	500	20,746	7,000	13,746
20	501	1,000	19,815	1,815	18,000
57	1,001	5,000	170,156	6,630	163,526
18	5,001	10,000	153,000		153,000
11	10,001	15,000	144,000		144,000
5	15,001	20,000	91,500		91,500
8	20,001	25,000	195,447		195,447
1	25,001	30,000	28,500		28,500
1	30,001	35,000	31,500		31,500
4	45,001	50,000	200,000		200,000
1	50,001	55,000	55,000		55,000
1	75,001	80,000	76,000		76,000
1	90,001	95,000	95,000		95,000
2	95,001	100,000	200,000		200,000
1	100,001	105,000	102,000		102,000
1	160,001	165,000	164,000		164,000
1	170,001	175,000	170,500		170,500
1	190,001	195,000	195,000		195,000
1	195,001	200,000	200,000		200,000
1	215,001	220,000	220,000		220,000
1	305,001	310,000	310,000		310,000
1	350,001	355,000	352,000		352,000
1	495,001	500,000	500,000		500,000
1	535,001	540,000	540,000		540,000
1	750,001	755,000	753,000		753,000
1	1,270,001	1,275,000	1,275,000		1,275,000
1	19,590,001	19,595,000	19,590,562		19,590,562
1	169,745,001	169,750,000	169,746,700		169,746,700
223			195,599,994	15,445	195,584,549

2.3 Categories of Certificateholder	Certificate Held	Percentage
2.3.1 Directors, Chief Executive Officer, and their spouse and minor children	21,447	0.0110%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	190,768,262	97.5298%
2.3.3 NIT and ICP	0	0.0000%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
2.3.5 Insurance Companies	0	0.0000%
2.3.6 Modarabas and Mutual Funds	0	0.0000%
2.3.7 Shareholders holding 10% or more	190,442,262	97.3631%
2.3.8 General Public		
a. Local	4,463,785	2.2821%
b. Foreign	0	0.0000%
2.3.9 Others (to be specified)		
1 Joint Stock Companies	346,500	0.1771%

Key Operating and Financial Results

Rs.(000)	2020	2019	2018	2017	2016	2015
Sales	4,477,787	4,653,603	2,713,128	2,621,735	2,663,830	2,649,491
Gross Profit	(836,920)	(955,231)	49,409	348,867	366,140	295,444
Profit before Taxation	(3,048,041)	(2,391,792)	(357,120)	204,577	244,358	136,322
Profit after Taxation	(3,049,219)	(2,391,792)	(357,120)	204,577	244,358	136,322
Certificateholders' Equity	(1,006,377)	2,042,842	4,068,591	4,542,753	4,460,817	1,692,437
Fixed Assets - Net	8,418,377	8,682,886	8,480,844	6,871,790	3,780,937	665,119
Total Assets	11,551,426	13,175,694	12,219,365	8,867,304	5,191,000	2,052,772
Total Liabilities	12,557,803	11,132,852	8,150,774	4,324,551	730,183	360,335
Current Assets	3,011,539	4,481,876	3,723,048	1,971,272	1,382,380	1,357,475
Current Liabilities	12,494,020	11,123,580	8,150,774	4,268,125	617,334	191,242
Dividend Declared	0.00%	0.00%	0.00%	5.98%	6.27%	6.20%
Certificates Outstanding	195,599,994	195,599,994	195,599,994	195,599,994	195,599,994	130,399,996

Important Ratios

Profitability	2020	2019	2018	2017	2016	2015
Gross Profit	-18.69%	-20.53%	1.82%	13.31%	13.74%	11.15%
Profit before Tax	-68.07%	-51.40%	-13.16%	7.80%	9.17%	5.15%
Profit after Tax	-68.10%	-51.40%	-13.16%	7.80%	9.17%	5.15%
Return to Equity						
Return on Equity before Tax	302.87%	-117.08%	-8.78%	4.50%	5.48%	8.05%
Return on Equity after Tax	302.99%	-117.08%	-8.78%	4.50%	5.48%	8.05%
Earning per Certificates	(15.59)	(12.23)	(1.83)	1.05	1.25	1.05
Liquidity/Leverage						
Current Ratio	0.24	0.40	0.46	0.46	2.24	7.10
Break-up Value per Certificate	(5.15)	10.44	20.80	23.22	22.81	12.98
Total Liabilities to Equity	(12.48)	5.45	2.00	0.95	0.16	0.21

% Change	2020	2019	2018	2017	2016	2015
Sales	-3.78%	71.52%	3.49%	-1.58%	0.54%	6.33%
Gross Profit	-12.39%	-2033.31%	-85.84%	-4.72%	23.93%	57.58%
Profit before Taxation	27.44%	569.74%	-274.57%	-16.28%	79.25%	58.68%
Profit after Taxation	27.49%	569.74%	-274.57%	-16.28%	79.25%	58.68%
Certificateholders' Equity + Revaluation Surplus	-149.26%	-49.79%	-10.44%	1.84%	163.57%	5.70%
Fixed Assets - Net	-3.05%	2.38%	23.42%	81.75%	468.46%	44.10%
Total Assets	-12.33%	7.83%	37.80%	70.82%	152.88%	18.70%
Total Liabilities	12.80%	36.59%	88.48%	492.26%	102.64%	181.03%
Current Assets	-32.81%	20.38%	88.87%	42.60%	1.83%	10.43%
Current Liabilities	12.32%	36.47%	90.97%	591.38%	222.80%	49.15%
Dividend			-100.00%	-4.63%	1.13%	79.71%
Certificates Outstanding	0.00%	0.00%	0.00%	0.00%	50.00%	0.00%

Notice of 14th Annual Review Meeting

Notice is hereby given that 14th Annual Review Meeting of Certificate Holders of First Treet Manufacturing Modaraba will be held on Saturday, October 31, 2020 at 10:30 A.M. through video link from registered office 72-B, Industrial Area, Kot Lakhpat, Lahore to transit the following business.

ORDINARY BUSINESS:

1. To confirm the Minutes of last Annual Review Meeting held on October 28, 2019.
2. To receive, consider and adopt the Annual Audited Accounts of the Modaraba for the Year Ended June 30, 2020, together with the Directors' and Auditors' Reports thereon.
3. To appoint External Auditors of the Modaraba for the year ending June 30, 2021 and to fix their remuneration. The retiring Auditors Messer Kreston Hyder Bhimji & Co., Chartered Accountants, being eligible, have offered themselves for re-appointment.

The Certificate Transfer Books will remain closed from October 25, 2020 to October 31, 2020 (both days inclusive) for the purpose of determination of names of the certificate holders for attendance of Annual Review Meeting.

By order of the Board



(Zunaira Dar)

Company Secretary

Lahore: October 09, 2020

Notes:

1. In case of individuals, the account holder and/or person whose securities are in CDC sub account or investor account shall show their identity by showing original computerized national identity card (CNIC) or original passport at the time of attending the meeting, CDC sub account holders/investor account holders are also requested to bring their account numbers maintained with CDC.
2. In case of corporate entity, board of director's resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
3. The Individual Certificate Holders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Modaraba Share Registrar, are once again reminded to send the same at the earliest directly to Modaraba's Share Registrar (Corplink (PVT) Limited, Wing Arcade, 1-k, Commercial, Model town Lahore. In case of non-receipt of the copy of a valid CNIC, the Modaraba would be constrained under section 243 (3) of the Companies Act, 2017 to withhold dividend of such certificate holders.
4. In accordance with the provisions of section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017, it is mandatory for a listed modaraba to pay cash

Notes:

1. In case of individuals, the account holder and/or person whose securities are in CDC sub account or investor account shall show their identity by showing original computerized national identity card (CNIC) or original passport at the time of attending the meeting, CDC sub account

(i) Certificate holder's detail	
Name of the certificate holder (s)	
Folio # CDS Account (s)	
CNIC No. (copy attached)	
Mobile / Landline No.	

(ii) Certificate holder's Bank detail	
Title of Bank Account	
International Bank Account Number (IBAN)	
Bank's Name	
Branch name and Address	

It is stated that the above-mentioned information is correct and in case of any change herein I will immediately intimate the Share Registrar accordingly.

Coronavirus Contingency Planning for Annual Review Meeting of First Treet Manufacturing Modaraba 31 October, 2020.

In view of the recent outbreak of COVID-19 (Crona virus), the steps taken by Government to avoid large public gathering at one place and the circular No. EMD/MISC/82/2012 notified by Securities and Exchange Commission of Pakistan (SECP) dated March 17, 2020 required companies to modify their usual planning for annual review meeting for well-being of the certificate holders to avoid large gatherings by provision of video link facilities. The modaraba will follow the best practices and comply with the instructions of Government of Punjab and SECP to ensure protective measures for wellbeing of the certificate holders. In the event that there are any further instruction or notifications from the SECP and/or the Pakistan Stock Exchange of any change for the ARM, the modaraba will announce the same at the Pakistan Stock Exchange through PUCARS system.

Accordingly, considering the restriction imposed by the Government on public gathers and SECP's directives, there will be no venue to the meeting and all participants will attend through video link.

The Members are requested to attend and participate in the ARM through video link facility. To attend through video link, Members can download the app/software through <https://zoom.us/download> and login via video-link to participate in the ARM proceedings.

Shareholders are requested to get themselves registered with the Company Secretary office at least two working days before the holding of the time of ARM at zunaira.dar@treetgroup.com by providing the following details:

Name of shareholder	CNIC No.	Folio No.	Cell No.	Email Address

In order to be effective, duly completed and signed proxy forms available at modaraba's website (www.ftmm.com.pk) must be emailed at zunaira.dar@treetgroup.com & our share registrar corplink786@gmail.com corporate@corplink.com.pk at least 2 working days before the time of the meeting.



HEAD OFFICE

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