



FOCUSING ON OUR STRENGTHS



CREATING OPPORTUNITES



MOVING FORWARDS



TREET GROUP OF COMPANIES



This year's Annual Report looks at Treet Group Financial's core competencies and potential opportunities and the ways it proposes to move its business forward in response to challenging economic and competitive environments.

### FOCUSING ON OUR STRENGTHS

Treet Group leverages its core competencies, including brand recognition, international presence, strong and experienced management and staff, quick decision making and response time, superior client service, long-term relationships, and innovative financial solutions to take advantage of opportunities and further enhance stakeholder value.

### CREATING OPPORTUNITIES

Treet Group is continually looking to develop new markets and financial products, exploring new market verticals and examining cross-company opportunities. It seeks to grow organically, as well as by diversification, and improve operational effectiveness. By creating opportunities, Treet Group targets increased stakeholder value.

### MOVING FORWARD

Treet Group focuses on recognizing and capitalizing on business opportunities that can create value. In turn, this results in further opportunities for growth. Management's Round table discusses several future opportunities with a clear focus on creating value.

In addition, the Chief Executive Officer's Letters to the Shareholders, Management's Discussion and Analysis and Consolidated Financial Statements, and notes thereto, provide you with further insights into Treet Group

Treet Group is keeping business liquid.

... we rise to the  
challenge



## What's Inside...

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# Financial Highlights

## We are in a very solid position.

We are realizing the full benefits of investments made in growth of projects over the past several years that enhance our competitive advantages. We are continuously diversifying [both concentric and conglomerate] to mitigate our business risk. We're driving future growth - capitalizing on emerging trends and planning multiple expansions that our assets are ideally suited for.

At the same time, we are mitigating our financial risk, which is unrelated to business outcome, without sacrificing tax efficiencies that will ultimately translated into increased shareholders' value.



## The results:

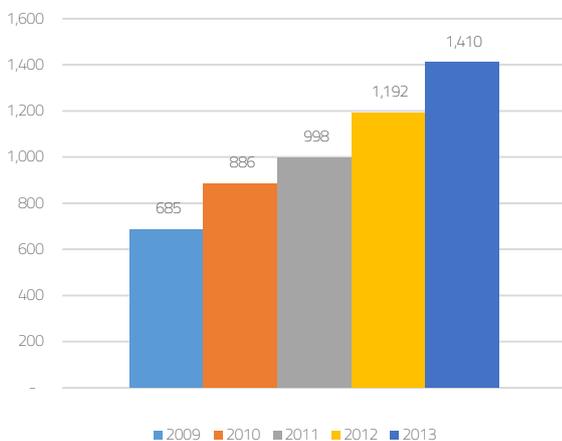
Record financial performance

Strong balance sheet

Exciting visible growth

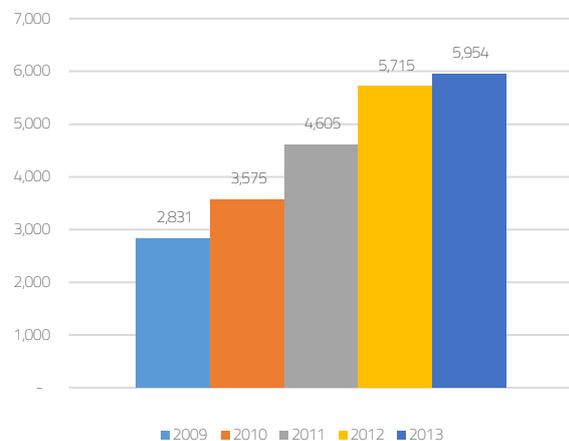
### Export

Rs. in million



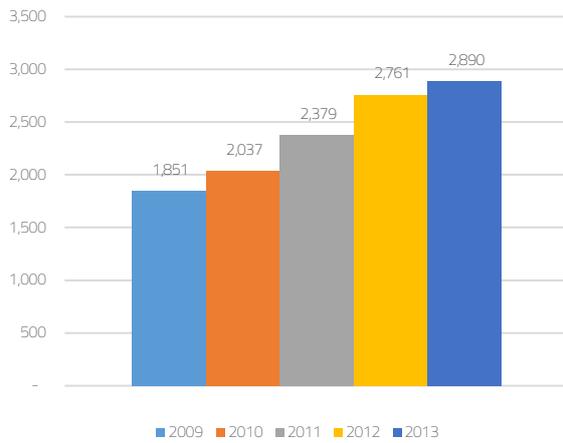
### Sales

Rs. in million

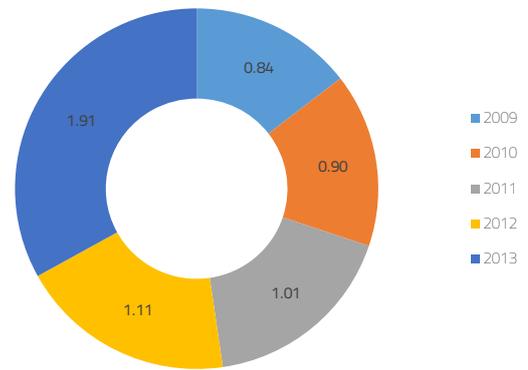


### Equity

Rs. in million



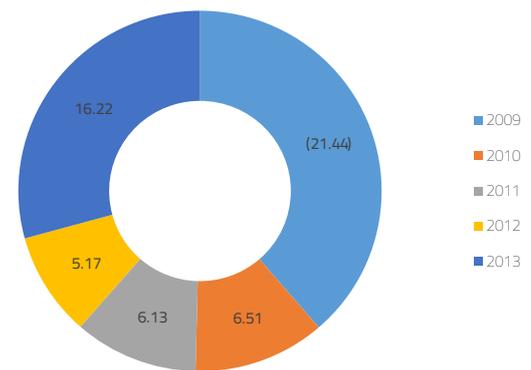
### Current Ratio



### Earnings Per Share



### Price-Earnings Ratio



# About Treet Group



**Treet Corporation Limited**  
– Holding Company is one of the oldest and largest business groups of Pakistan. It was incorporated as a Public Limited Company in Pakistan in 1977 under Companies Act, 1913 (now Companies Ordinance, 1984). As a sole manufacturer and marketer of conventional shaving blades, razors and soaps, the business history of the group dates back to pre-independence days, almost a century ago, when a highly dynamic personality of Sir Syed Maratib Ali expanded his canteen contract and agri business into trading and industrial partnerships. This expansion saw no bounds and soon after the 'Divide' in 1947, new business opportunities were successfully explored in the fields of Textile, Automobiles, Trucks and Tractors, Soap, Ghee and Razor manufacturing. This progressive journey also saw the transition from manufacturing conventional Double Edge Shaving Blades to modern

age Bonded Razors in Pakistan. The company was quoted as one of the best 25 industries on Karachi Stock Exchange in the year 2004. Treet was among the first ten companies in Pakistan to obtain ISO 9001 – 2000 Certification in 1997 for its outstanding attainment. The company employs approximately 1400 people with factories in Hyderabad and Lahore. Its renowned brands, TRBC (Treet Blade Coated) in Carbon Steel and TPS (Treet Platinum Super) in Stainless Steel are market leaders in Double Edge blades category. While in Bonded razor category Trim-II XL, Treet-II, and Treet Hygiene disposable razors are leading brands in popular price segment of the market. Another type of conventional Cut-throat turned modern fixed head disposable salon razor is 'Safex'. This razor at salons not only provides excellent shaves but has proved hygienically reliable as well.

Treet products are in high demand equally at export level as they are within the country. Customer base of Treet products in international markets is expanding fast and our export business is thriving with every passing day. Currently Treet is exporting its products to over 35 countries around the globe. This exportability contributes a significant share of foreign exchange to the national exchequer. Major customers include China, Iran, Korea, Malaysia, Syria, Bangladesh, Germany, Italy, Spain, Brazil, Poland, KSA, and 23 other countries.





# Our Mission

## 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.



# Our Vision

## 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 shareholders 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



## Company Information

BOARD OF DIRECTORS	Syed Shahid Ali Dr. Mrs. Niloufer Mahdi Mrs. Ferial Ali Mehdi Mr. Jalees Ahmed Siddiqi Mr. Imran Azim Syed Sheharyar Ali Muhammad Shafique Anjum Mr. Munir K. Bana	Chairman / Chief Executive Officer   (Nominee IGI Insurance Limited) (Nominee National Investment Trust)   (Nominee Loads Limited)
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BOARD AUDIT COMMITTEE	Mr. Jalees Ahmed Siddiqi Mr. Imran Azim Syed Sheharyar Ali Mr. Munir K. Bana	Chairman Member Member Member
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HUMAN RESOURCE & REMUNERATION COMMITTEE	Mr. Jalees Ahmed Siddiqi Mr. Munir K. Bana Syed Sheharyar Ali Muhammad Shafique Anjum Mr. Amir Zia	Chairman Member Member Member Member
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CHIEF FINANCIAL OFFICER	Mr. Amir Zia
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COMPANY SECRETARY	Rana Shakeel Shaukat
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HEAD OF INTERNAL AUDIT	Muhammad Ali
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EXTERNAL AUDITORS	KPMG Taseer Hadi & Co. Chartered Accountants Lahore.
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INCOME TAX CONSULTANTS	Hyder Bhimji & Co. Chartered Accountants Lahore.
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LEGAL ADVISORS	Salim & Baig, Advocates - Lahore.
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CORPORATE ADVISORS	Cornelius, Lane & Mufti Legal Advisors & Solicitors - Lahore.
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SHARIAH ADVISOR	Mufti Iftikhar Baig
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BANKERS	Allied Bank Limited Askari Bank Limited Bank Alfalah Limited Bank Al-Habib Limited BankIslami Pakistan Limited Barclays Bank PLC, Pakistan CitiBank N.A. Faysal Bank Limited Habib Bank Limited HSBC Bank Middle East Limited Habib Metropolitan Bank Limited IGI Investment Bank Limited JS Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank Limited SAMBA Bank Limited Standard Chartered Bank (Pakistan) Limited SilkBank Limited United Bank Limited
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REGISTERED OFFICE	72-B, Kot Lakhpat Industrial Area, Lahore. Phones: 042-35830881, 35156567 Fax: 042-35114127, 35215825 E-mail: info@treetonline.com Home Page: www.treetonline.com
SHARE REGISTRAR	Scarlet I.T. Systems (Private) Limited 24-Ferozepur Road, Lahore. Tel: 042-37087113 - 37570202 Fax: 042-37570303 E.mail: treet@scarletsystem.com
TREET GROUP FACTORIES	72-B, Kot Lakhpat Industrial Area, Lahore. Phones: 042-35830881, 35156567 & 35122296 Fax: 042-35114127, 35215825  Hali Road: P.O. Box No. 308, Hyderabad. Phones : 0223-880846, 883058 & 883174 Fax: 0223-880172  First Treet Manufacturing Modaraba (Managed by Global Econo Trade (Private) Limited)  Packaging Solution - Corrugation 22- K.M. Ferozepur Road, Kachha Tiba, Rohi Nala, Lahore. Tel: (042) 8555848  Packaging Solution - Paper & Board Mill 33 - K.M. Lahore Sheikhpura Road.
GROUP COMPANIES / OFFICES	Global Econo Trade (Private) Limited (A wholly owned subsidiary of Treet Corporation Limited) 72-B, Kot Lakhpat Industrial Area, Lahore. Phones: 042-35830881, 35156567 Fax: 042-35114127, 35215825  First Treet Manufacturing Modaraba (Managed by Global Econo Trade (Private) Limited) Principal Place of Business: 72-B, Kot Lakhpat Industrial Area, Lahore. Phones: 042-35830881, 35156567 Fax: 042-35114127, 35215825  TCL Labor - Hire Company (Private) Limited (A wholly owned subsidiary of Global Econo Trade (Private) Limited) 72-B, Kot Lakhpat Industrial Area, Lahore. Phones: 042-35830881, 35156567 Fax: 042-35114127, 35215825  Treet Power Limited (A wholly owned subsidiary of Global Econo Trade (Private) Limited) 72-B, Kot Lakhpat Industrial Area, Lahore. Phones: 042-35830881, 35156567 Fax: 042-35114127, 35215825  Treet Services (Private) Limited (A wholly owned subsidiary of Global Econo Trade (Private) Limited) 72-B, Kot Lakhpat Industrial Area, Lahore. Phones: 042-35830881, 35156567 Fax: 042-35114127, 35215825
KARACHI OFFICE	17-Abdullah Haroon Road, Karachi. Phones: 021-35681576 Fax: 021-35681575

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## Directors' Profile



### Names

**Syed Shahid Ali**  
Chief Executive Officer

**Dr. Mrs. Niloufer Mahdi**  
Director

**Mrs. Feriel Ali Mehdi**  
Director

**Mr. Jalees Ahmed Siddiqi**  
Director  
(Nominee IGI Insurance Limited)

### Profile

Syed Shahid Ali took over as Chief Executive Officer in 1995. He holds master degree in Economics from University of the Punjab and has Graduate Diploma in Development Economics from Oxford University and also holds Graduate Diploma in Management Sciences from University Of Manchester. He has extensive experience of managing diversified portfolio of businesses including personal care products, Paper & Board, Automobiles, Insurance. He also holds directorships of several other Companies. He is also actively involved in social & cultural activities and holds senior positions on the governing boards of several hospitals and philanthropic organizations including Gulab Devi Hospital and Liaquat National Hospital in other group companies.

Dr. Mrs. Niloufer Mahdi belongs to one of the top industrialist families of Pakistan. She is the daughter of Syed Wajid Ali and granddaughter of Syed Maratib Ali.

She owns and is the Editor of an independent English weekly magazine being published from Lahore namely "Cutting Edge".

Mrs. Mehdi holds a Bachelors degree in Economics from Karachi University. She started her career at Wazir Ali Industries. She remained in several positions and rapidly climbed up the corporate ladder. She has had exposure on all the levels in Marketing and chiefly looked after the Cooking Oil category of the business.

In 1996, Mrs. Mehdi resigned from Wazir Ali to join ZIL Limited. She took over various senior positions and took over the reins of ZIL as CEO in November 1998.

She attended IMD's Orchestrating Winning Performance Program (OWP) in 2006 and gained intensive exposure to current thinking on today's key management issues. Mrs. Mehdi is also on the Board of Directors of Treet Corporation Limited.

With over 30 years experience, Mr. Jalees Ahmed Siddiqi is a broad based Human Resource professional. Having an engineering degree, Mr. Jalees began his working life in USA / Canada. For four years he was associated with projects and production management.

After moving to Pakistan he joined a major MNC where he worked through various functions covering technical management, customer services, techno-commercial, plant management and supply chain before becoming head of Human Resource in early 90's.

He has attended several international programs on Human Resource including those of University of Michigan & London Business School.

He is serving as Chief Executive Officer and Director of IGI Insurance Ltd since 2009. His other engagements are with IGI Investment Bank, Loads Limited, Treet Corporation, Global Econo Trade (Pvt) Limited, Selection Board of Institute of Business Administration, Specialized Motorcycle (Pvt) Limited, Specialized Autoparts Industries (Pvt) Limited and Multiple Autoparts Industries (Pvt) Limited



**Mr. Imran Azim**  
Director  
(Nominee National Investment Trust)

Mr. Imran Azim is an MBA (Finance) and has more than two decades of experience in Mutual Fund Industry. His portfolio includes working with various esteem organizations like NIT, Director Corporate Finance at Khalid Majid Hussain Rehman, (Chartered Accountants Firm), Universal Insurance Company Limited, Chief Executive of Haroon Oil Mills Limited and currently working as Chief Executive Office at Habib Asset Management Limited.



**Syed Sheharyar Ali**  
Director

After completing his BBA from Saint Louis University in 2001, Syed Sheharyar Ali started his career with Packages Limited. Currently he holds the position of Executive Director in Packaging Solutions since 2007. Apart from this, his portfolio includes the following engagements as well:

- Member Governing Body - Liaquat National Hospital Karachi
- President Punjab Netball Federation - Punjab Netball Federation
- Vice President - Punjab Cycling Association -
- Director - GET Motor Cycle Project
- Vice President - All Pakistan Music Council
- Director - Gulab Devi Hospital
- Director - Cutting Edge
- Director - Loads Limited



**Muhammad Shafique Anjum**  
Director /  
Chief Operating Officer  
(Treet Corporation Limited)

Muhammad Shafique Anjum joined Treet Corporation Limited in 1979. He has vast experience of over 34 years in the razor blade and allied products manufacturing. He holds a Mechanical Engineering degree from University of Engineering and Technology Lahore. He also holds directorships in other group companies.



**Mr. Munir K. Bana**  
Director  
(Nominee Loads Limited)

Munir K. Bana is a Chartered Accountant and a Fellow of the Institute of Chartered Accountants of Pakistan. He is currently Chief Executive of Loads group of companies, which manufactures automotive radiators, exhaust systems & sheet metal components for all multi-national assemblers of cars, light commercial vehicles, buses, trucks and tractors in Pakistan. Mr. Bana is also Honorary Chairman of Karachi Tools, Dies & Moulds Centre, a public-private-partnership, which is a common facility centre, manufacturing dies & moulds and offering on-the-job training to engineering students. In addition, Mr Bana was elected Chairman of Pakistan Association of Automotive Parts & Accessories Manufacturers (PAAPAM) for the year 2012-13.

## Abstract of Company Information of Treet



### Board Human Resource and Remuneration Committee

Mr. Jalees Ahmad Siddiqi	Chairman
Mr. Munir Karim Bana	Member
Syed Sheharyar Ali	Member
Muhammad Shafique Anjum	Member
Mr. Amir Zia	Member
Chief Financial Officer	Mr. Amir Zia
Company Secretary	Rana Shakeel Shaukat
Head Of Internal Audit	Mr. Muhammad Ali



## The Management



**Mr. Shahid Zia**  
Chief Operating Officer  
(Global Econo Trade (Pvt.) Limited)



**Mr. Imran Aziz**  
Chief Operating Officer  
(Packaging Solutions-Corrugation  
and Paper & Board Mill)



**Mr. Amir Zia**  
Group Chief Financial Officer



**Rana Shakeel Shaukat**  
Group Company Secretary



**Muhammad Ali**  
Head of Internal Audit



**Mr. Sohail Habib**  
Chief Accountant  
(Global Econo Trade (Pvt.) Limited)



**Mr. Sajjad Haider Khan**  
Chief Accountant  
(First Treet Manufacturing Modaraba)

# Talented and Motivated Personnel





## Guide Lines To Business Conduct



- 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).

### 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.

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 Partners

- Avoid conflicts of interest and identify situations where they may occur.
- Do not accept or give gifts, favors, or entertainment if

### Business Resources

- Do not use inside information about the Treet Group for personal profit. Do not give such information to others.

### 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.

### Shareholders

We aim to be a **Treet Group** in whom our shareholders have trust and pride. We will keep our shareholders properly informed of our **Treet Group's** performance and prospects. We recognize the need to provide our shareholders 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 shareholders. 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 cross-functional 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 neighbor, and will continue to support community affairs.

### Health, Safety and Environment Policy

It is **Treet Group** policy to;

- Minimize its environmental impact, as is 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 toward 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

- 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.



## Quality Policy



### Treet Corporation Limited

strives to meet the international standards. Top management of the Corporation is committed to a policy of sustained growth. The employees are quality conscious and work in highly motivated environment. The management is focused on customer satisfaction by continually upgrading human resource skills, technology and promoting a balanced trilateral customer – organization – supplier relationship.

SYED SHAHID ALI  
Chief Executive Officer



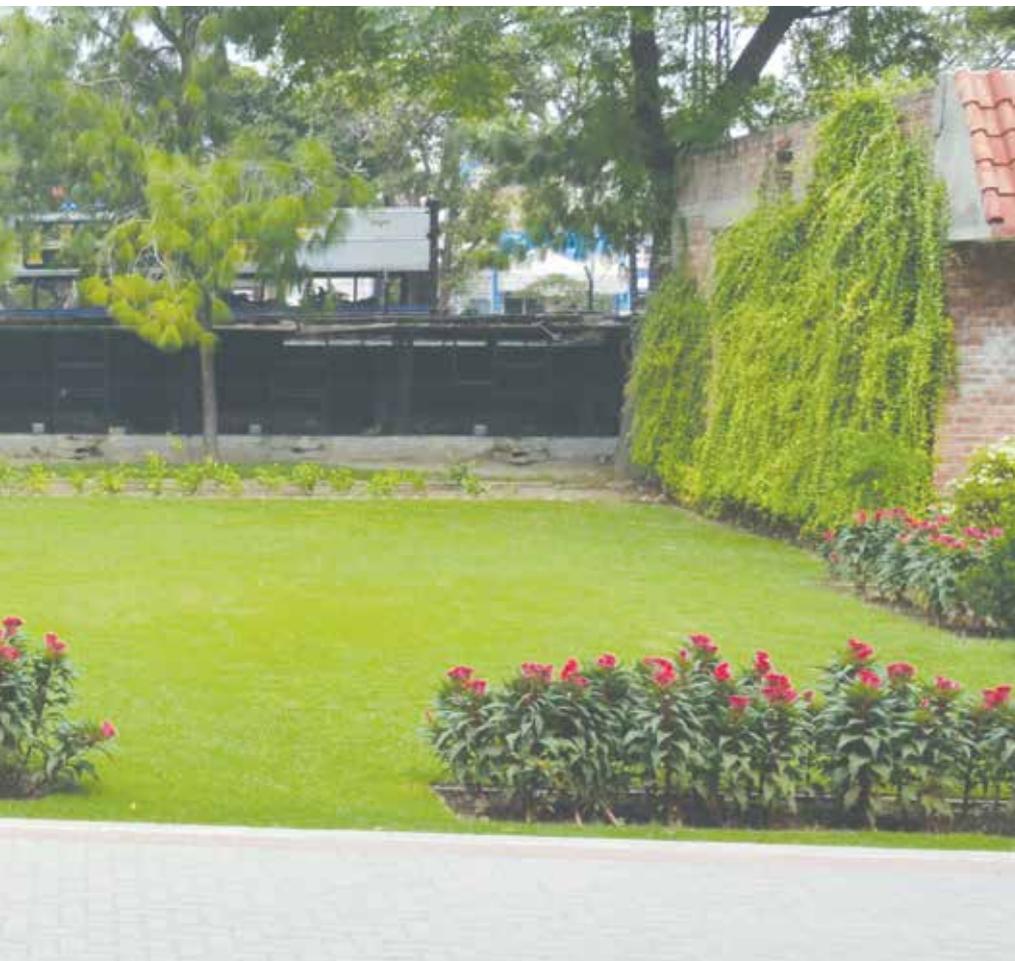
## Treet Group – An Introduction



Treet Group of Companies comprises the following businesses:

1. **Treet Corporation Limited [TREET]**
  - a. Blade Manufacturing
  - b. Disposable Razor Manufacturing
  - c. Export & Export Marketing
  - d. Local Sales & Marketing
2. **Global Econo Trade (Private) Limited [GET]**
  - a. Distributor of Blade / Disposable Razors / Soaps
  - b. Motor Cycle Assembly & Marketing
  - c. Modaraba Company
  - d. Advertisement & Sales Promotion Media
3. **First Treet Manufacturing Modaraba [FTMM]**
  - a. Manufacturing and selling of corrugated packaging
  - b. Manufacturing and selling of paper & board
  - c. Manufacturing and selling of soaps
4. **TCL Labor-Hire Company (Private) Limited [TLHC]**
  - a. Providing Workforce to Group Companies under Service Agreement and taking all responsibilities of work force and meeting allied legal requirements
5. **Treet Services (Private) Limited [TSL]**
  - a. Import House [under consideration]
6. **Treet Power Limited [TPL]**

Companies within group are strategic business units that are semi-autonomous units responsible for their own budgeting, new product / market decisions, and new venture exploration and pricing. They are treated as internal profit centers by the corporate headquarter i.e. Treet Corporation Limited, the parent company. Each SBU is responsible for developing its business strategies independently from the other businesses but these must be in tune with the broader corporate strategies. Corporate strategy (by the parent company) seeks 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.

Therefore to summarize businesses of the Treet Group are as follows:

1. Manufacturing and selling blades/disposable razors ;

2. Manufacturing and selling of corrugated packaging;

3. Manufacturing and selling of paper & board;

4. Manufacturing of soaps and marketing thereof;

5. Assembling [and selling] of Motorcycles;

6. Trading and Merchandising – as a sole buyers, distributors, agents and / or otherwise;
7. Advertising and sales promotion media;
8. Labor-Hire Services
9. Import House [under process]
10. Floatation and control of Modarabas; etc.

## Factories

### Lahore Factory :

72-B, Kot Lakhpat, Industrial Area, Lahore

### Hyderabad Factory:

Hali Road, P.O.Box No. 308, Hyderabad

### Packaging Solutions:

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

### Paper & Board Mill:

33-KM Lahore-Sheikhupura Road, Sheikhupura

### Import House/warehouse:

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

### Soap Factory:

Ghakar [under Toll Manufacturing Arrangement]

### Others / Future Expansion:

Land [12 Kanals] at Multan Road, Lahore

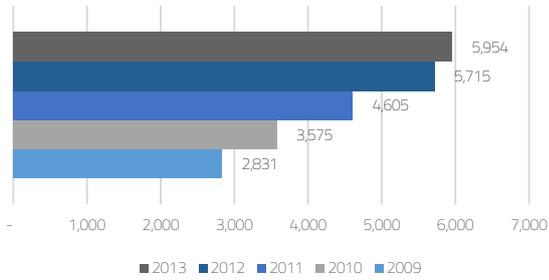
## LEGAL STRUCTURE OF GROUP COMPANIES

Subsidiaries	Shareholdings Holding Companies	
	Treet Corporation Limited	Global Econo Trade (Private) Limited
Global Econo Trade (Private) Limited	100.00%	-
First Treet Manufacturing Modaraba	89.84%	10.02%
TCL Labor-Hire Company (Private) Limited	-	100.00%
Treet Services (Private) Limited	-	100.00%
Treet Power Limited	-	100.00%

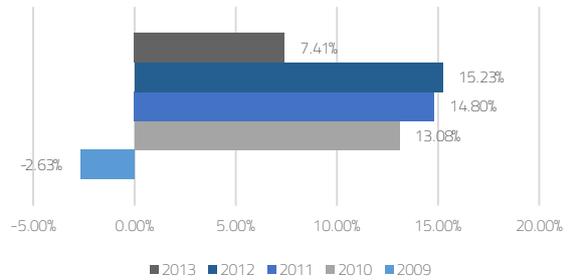
# Financial Performance

## Sales

Rs. in million

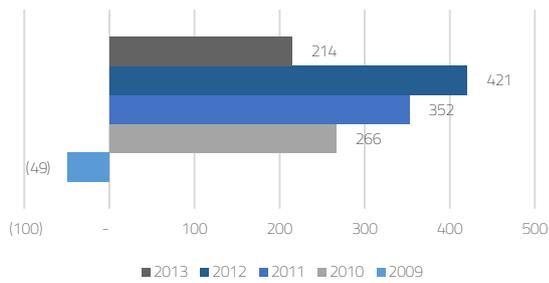


## Return on Equity



## Net Profit After Tax

Rs. in million

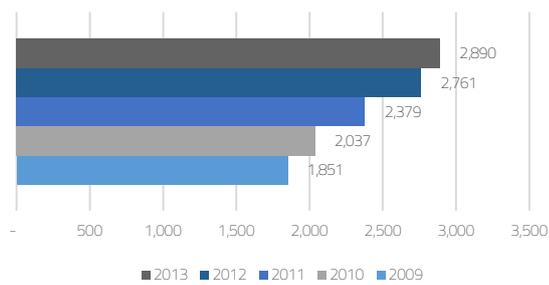


## Price-Earnings Ratio

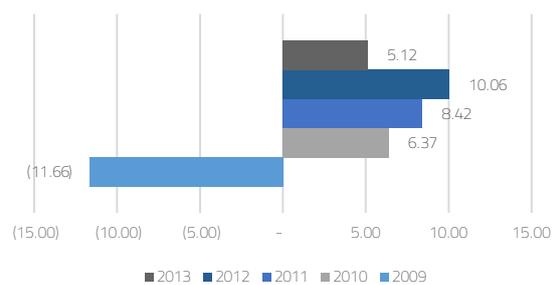


## Equity

Rs. in million

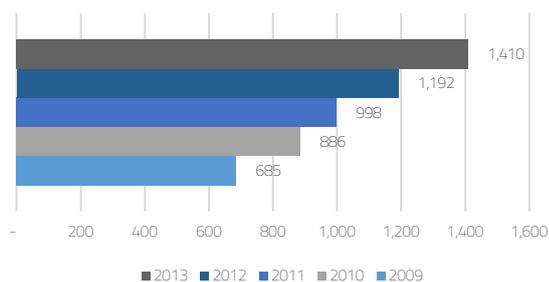


## Earnings Per Share

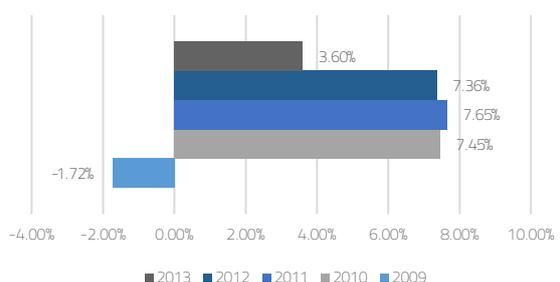


## Export

Rs. in million

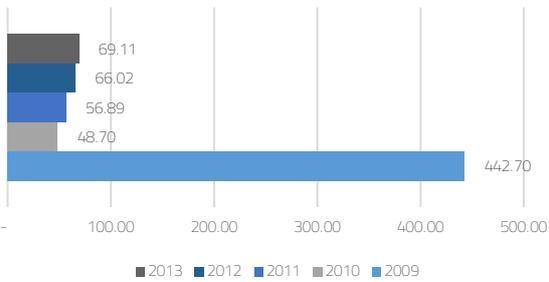


## Profit After Tax

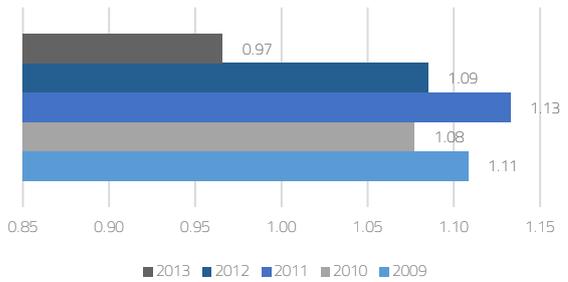


### Book Value per Share (Including Revaluation Surplus)

Rs. rupees

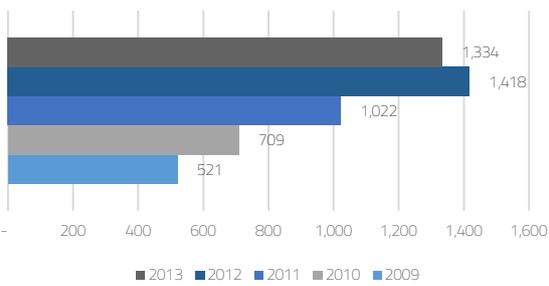


### Total Liabilities to Equity

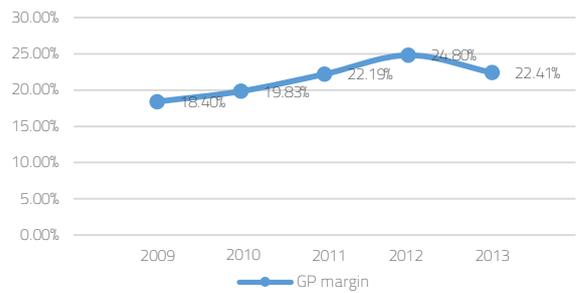


### Gross Profit

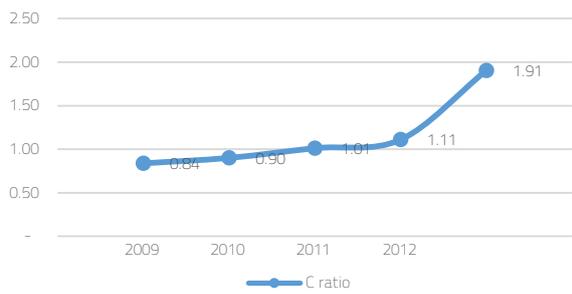
Rs. in million



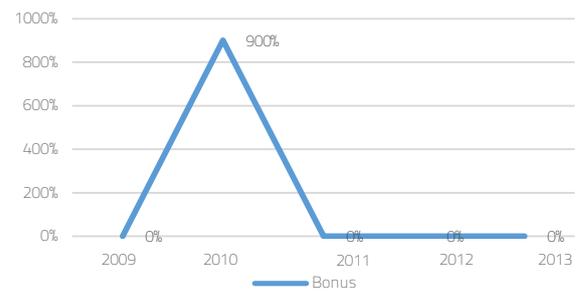
### Gross Profit Margin



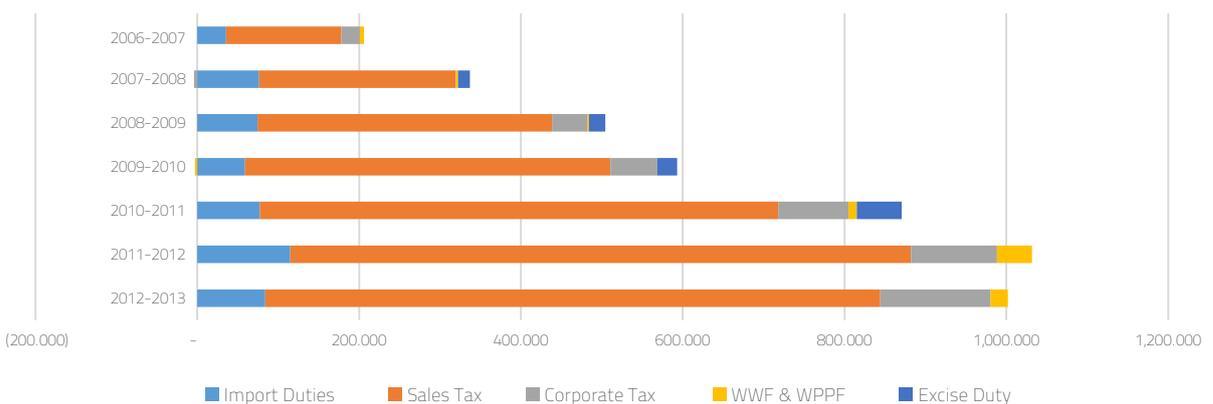
### Current Ratio



### Bonus



### Contribution to Exchequer



# Our Products

## Blade/Disposable Razors



Soaps



Corrugation



Paper & Board Mill



Bikes











SYED SHAHID ALI  
Chief Executive Officer

## Directors' Report to the Shareholders

The directors of your Company take pleasure in presenting the Annual Report together with your Company's Annual Audited Financial Statements for the year ended June 30, 2013.



### Economic Outlook

The fiscal year 2012-13 started with continuous problems of power and gas shortages along with other internal and external challenges. The adverse impact of these economic difficulties was further compounded by the ongoing war against extremism which continued unabated and not only on one hand caused irreparable loss to the economy but wiped out mental peace and harmony among the masses of the country.

Agriculture, Manufacturing as well as Services sector performed below their capacity. Though economy has the growth trajectory of more than 6%, but the worst energy crises, bleeding public sector enterprises, economic mismanagement and menace of informal economy hemorrhaged the system.

On a positive note, inflation fell significantly, and LSM showed signs of recovery. The growth in industrial sector increased on the back of recovery in large scale manufacturing, construction and mining and quarrying. However, Services sector remained subdued due to decline in growth rates of transport, storage and communication.

**On a global front**, four years after eruption of the global financial crisis, the world economy is still struggling to recover. During 2012, global economic growth has weakened further. A growing number of developed economies have fallen into a double-dip recession. Those in severe sovereign debt distress moved even deeper into recession, caught in the downward spiraling dynamics from high unemployment, weak aggregate demand compounded

by fiscal austerity, high public debt burdens and financial sector fragility. Growth in the major developing countries and economies in transition has also decelerated notably, reflecting both external vulnerabilities and domestic challenges. Most low-income countries have held up relatively well so far, but now face intensified adverse spillover effects from the slowdown in both developed and major middle income countries. The prospects for the next two years continue to be challenging, loaded with major uncertainties and risks inclined towards the downside.

*Breaking out of this rather complex nexus was the real challenge faced by the Company during the year but it played its required role in nudging the macro (and micro) economic outcomes.*

### Operating and Financial Results

*The management of your Company is well aware of the posed challenges and is deploying a most feasible marketing mix at trade and retail levels and is taking all possible measures to meet these challenges. Moreover, your Company is continually reviewing its business strategy to cope with the threats and has been incessantly endeavoring not only to tap alternative competitive sources of raw material/inputs but also trying to optimize the throughput.*

Following is the summary of comparative financial results\*

*\*More fruitful comparison is between consolidated results of this year with corresponding period last year due to following reasons:*

## Directors' Report to the Shareholders

- *Global Econo Trade (Private) Limited (GET) is wholly owned subsidiary of your Company.*
- *Your Company and GET virtually hold 100% certificates of FTMM.*
- *Intra- company sales within Treet Group are Inter- Stock Transfer from Treet Group's perspective.*
- *Like wise Intra- company services within Treet Group are set-off in consolidation.*

(Rupees in thousand)	2013		2012		% Change	
	Treet (1)	Consolidated (2)	Treet (1)	Consolidated (2)	(1) over (3)	(2) over (4)
Sales (net of sales tax)	3,399,441	5,953,868	2,820,669	5,715,274	20.52	4.17
Gross Profit	1,068,242	1,334,034	715,855	1,417,538	49.23	-5.89
Operating Profit	241,228	289,773	451,016	643,069	-46.51	-54.94
Profit before taxation	215,549	225,278	367,929	489,777	-41.42	-54.00
Provision for taxation	3,221	(11,007)	(57,941)	(69,242)	-105.56	-84.10
Profit after taxation	218,770	214,271	309,988	420,535	-29.43	-49.05
EPS (in Rupees)	5.23	5.12	7.41	10.05		

Sales performance showed excellent growth in the export market and maintained its foothold in the local market. However, Soap sales showed decline in volume due to certain reasons explained below:

% Change over Corresponding Period (Consolidated)						
	Blade	Soap	Corrugation/Paper	Total	Local : Export	
					2012-2013	2011-2012
Local Sales	-2.74%	-11.86%	-0.01%	-3.55%	65%	71%
Export Sales	26.97%	0.00%	0.00%	26.97%	35%	29%
Total Sales	7.94%	-11.86%	-0.01%	2.85%	for Blade & Soap Operations	

### Factors having -ve Impact on Operating Profit:

- Sales and promotional activities whose positive effect will come in the coming months;
- Increase in salaries is due to average annual increase, bonuses etc;
- Increase in power tariffs and in-house power generations;
- Commercialization fee of Rs. 13.00 million paid for our rented-out property;
- Provision against doubtful debts (of Rs. 35.00 million) against bike operations;
- Increase of material cost related to petro-chemical products;

Other factors that have major impact [+ve or -ve] on net profitability :

### Factors having -ve Impact on Net Profit:

- Participation Term Certificates (TCLTC) were issued in October 2012. However, financial charges on TCLTC are accrued for full year instead of nine months since basis of entitlement of profit (under Category "B" Payment) is June 30, 2013. Although accrual is made but payment (cash outlay) will be made on or before November 02, 2013.
- Thus impact of financial charges due to extra accrual is Rs. 70.00 million;
- Donation of Rs. 10.00 million made to Pakistan Olympic Association as a part of Corporate Social Responsibility (CSR) for the improvement, development and growth of sports in the Country;

### Factors having +ve Impact on Net Profit:

- Capital gains [realized/ unrealized] on short term investments;
- Dividend Income;
- Less taxation charge (including WPPF/WWF) due to better tax management;

## Segment-wise Results:

Blade/Disposable Razors			
Rs. in '000`	2012-2013	2011-2012	% Change
Sales Net	3,425,135	3,173,300	7.94%
Inter-group Purchase	(4,377)	(4,414)	-0.84%
Gross Profit	1,080,155	1,083,432	-0.30%

Blade/disposable business posted excellent growth in export markets. However, local sales declined because of unavailability of production due to plant maintenance/BMR. Raw material cost in terms of dollar, excluding petro-chemical products, remains static during the year due to yearly contracts with the suppliers.

However, energy costs [rates and costly in-house power generations due to power shortage], inflationary impact on salaries & wages, international prices of petro-chemical products, higher expenditures on trade promotions & media etc. were the negative factors during the period.

**TEC-II**  
ULTIMATE SHAVING RAZOR

5 ریبرزز کا اکانومی پیک

PS 2000  
Pakistan Standards

قیمت میں دستا ترین کوالٹی بہترین

A Product of TREET GROUP OF COMPANIES

## Directors' Report to the Shareholders

Soaps			
Rs. in '000`	2012-2013	2011-2012	% Change
Sales Net	718,363	815,034	-11.86%
Inter-group Purchase	(11,318)	(3,821)	196.21%
Gross Profit	81,514	145,556	-44.00%



Soap sales were declined due to clearance of stocks at distributor/retail levels. New brand is being launched. Sales volumes again got momentum from April onwards. Tallow prices remained on higher side and pass through effect was limited due to stiff competition. Fuel cost was another area of concern, bio-mass based fuel costs skyrocketing and power tariff for industry are also climbing up. So management of your Company is thinking of major revamping of the Soap operation in term of substitution and economizing energy cost.

Corrugation			
Rs. in '000`	2012-2013	2011-2012	% Change
Sales Net	1,311,748	1,234,210	6.28%
Inter-group Sales	69,748	68,961	1.14%
Inter-group Purchase	(354,424)	(316,789)	11.88%
Gross Profit	152,812	146,415	4.37%



Sales volumes were maintained despite of tough market situations and unavailability of power. Recent budgetary changes and non-budgetary administrative measures spawned the inflationary pressure on input side. Pass through impact in the short run is limited but in the long run, your Company will able to increase the prices and will maintain its margins.



## Directors' Report to the Shareholders

Paper & Board			
Rs. in '000`	2012-2013	2011-2012	% Change
Sales Net	145,729	231,302	-37.00%
Inter-group Sales	354,424	316,789	11.88%
Inter-group Purchase	(54,053)	(60,726)	-10.99%
Gross Profit	13,362	15,428	-13.39%



Paper & Board Mill tried to maintain its volumes despite of acute power outages. Consistent power outages and skyrocketing prices of bio-mass (for fuel) are the real challenges to this sector. As already indicated above, if fuel charges are adjusted upward (as already announced by the Government) would further add difficulties to this Sectors (since it is power intensive), but your Company is considering alternate sources of fuels and may revamp the whole operation in the coming months.

Motor Cycle Project			
Rs. in '000`	2012-2013	2011-2012	% Change
Sales Net	352,893	261,428	18.44%
Gross Profit	6,191	26,707	333.13%

Sales from Motor Cycle segment although showed volume growth but recovery issue are imminent and Rs. 35.00 million is written off against bad debts and appropriate legal action is being taken against the wrongdoers; moreover, sales and marketing strategy is being revamped to avoid further losses and new models will be added in due course of time.





## Accrual of Profit on Participation Term Certificates (TCLTC) based on the full year consolidated results:

The following accrual of profit is being made on TCLTC on the basis of yearly results:

Pay-OFF MATRIX :		Calculation of Category "B" Payment	
Profit * from	Profit* to	Payoff % on Excess Amount of profit	
-	179,500,000	NIL	
179,500,001	250,000,000	72% of amount exceeding Rs. 179,500,000.00	
250,000,001	350,000,000	Rs.50,760,000.00 and 25% of amount exceeding Rs. 250,000,000.00	
350,000,001	450,000,000	Rs.75,760,000.00 and 20% of amount exceeding Rs. 350,000,000.00	
450,000,001	550,000,000	Rs.95,760,000.00 and 15% of amount exceeding Rs. 450,000,000.00	
550,000,001	650,000,000	Rs.110,760,000.00 and 10% amount exceeding Rs. 550,000,000.00	
650,000,001	and above	Rs.120,760,000.00 and 5 % of amount exceeding Rs. 650,000,000.00	

	Rs.in 000
Consolidate Profit*	522,758

\*Profit means Consolidate Profit before Tax, WPPF/ WWF and financial Charges on account of any payment or accrual made for TCLTCs.

	Rs. In 000	Rs. Per PTC
Category "B" Payment (Additional Profit in Cash)	106,661	2.55
Minimum Profit Payment in Cash	173,144	4.14
Financial Charges i.e. Total Profit in Cash	279,805	6.69

PAY-OFF MATRIX (PER PTC):					
Principal Redemption in Cash	Minimum Profit Payment in Cash	Minimum Payment in Cash	Category "B" Payment (Additional Profit in Cash)	Total Profit in Cash	Total Payment in Cash
(1)	(2)	(3) = (1) + (2)	(4)	(5) = (2) + (4)	(6) = (1) + (5)
0.15	4.14	4.29	2.55	6.69	6.84

## Payment will be made on following dates:

Respective Date(s) of Entitlements and Date(s) of Payment under Category "A" and Category "B" Payment for the first year\* will be as follows:

Year	Book Closure Dates (both days inclusive)		Entitlement Date	Minimum Payment in Cash Date	Allotment Date for Conversion	Category "B" Payment (in Cash) Date
	From	To		under Category "A" Payment		
2013	10-10-2013	16-10-2013	09-10-2013	02-11-2013	02-11-2013	02-11-2013

\*[as mentioned in the Prospectus of Participation Term Certificate (TCLTC) and extract from it [pertaining to first year] is reproduced here]

Apart from the "Total Payment in Cash", TCLTC holders [who are entitled on October 09, 2013] will also get Ordinary Shares of the Company on the following basis:

## Directors' Report to the Shareholders

PRINCIPAL REDEMPTION THROUGH CONVERSION			
Principal Redemption Through Conversion	No. of Share Through Conversion	Conversion Price Per Share	The Conversion price per share is for information/ accounting / taxation purpose. No further amount will be paid by the PTC holders. <i>This is the opportunity cost of the principal value of PTC forgone to get One additional Ordinary Share of the Company</i>
4.14	0.07	59.14	

Example: Thus holder of 1,000 TCLTCs will get 70 Ordinary Shares of the Company on or before November 02, 2013 vis-à-vis principal value of Rs. 4,140/- forgone.

*TCLTCs were offered to existing shareholders of the Company. Company's financial strategy was not only to mitigate the financial risk by reducing its borrowings but also to ensure healthy returns to its shareholders (in the form of Dividend plus Category "A" and Category "B" Payments).*



### Financial Plans:

- Your Company is seeking the possibility of raising of funds through a rights issue (15% i.e. 15 shares against 100 shares) at a premium of Rs. 70 per share i.e. right to be offered at Rs. 80.00 per share. The share transfer books of the Company will be closed from October 10, 2013 to October 16, 2013 (both days inclusive). Transfers received at the close of business on October 09, 2013 will be treated in time for the purpose of entitlement of Right Shares to the transferee.
- Issuance of Participation Term Certificates (PTC) of Rs. 510.231 million @ Rs. 40.00 per PTC subject to the

approval of shareholders, Stock Exchanges and Securities and Exchange Commission of Pakistan (SECP). Following are the main features of the Issue;

- PTC will be offered to the existing shareholders by way of right i.e. through renounceable offer letter (ROL) and ROL will be trade-able at all three stock exchanges;
- PTC will be issued in perpetuity and will be listed on all three stock exchanges;
- PTC will be convertible into ordinary shares at the option of the Company;

amount per PTC equal to the cash dividend (interim plus final) declared by the Issuer per ordinary share for the relevant financial year, whichever is higher;

The overall objective is to :-

- increase the production capacities of Lahore/ Hyderabad Plants;
- tap the unmet (and increasing) demands of the market. Targeted customers includes both from local and export markets;
- diversify into new products and markets;

Appropriations:		
Rupees in 000'	2012-2013	2011-2012
Un-Appropriated Profit b/f	1,017,016	735,130
Realization of : Revaluation Surplus (NET)/ Gain on Disposal of Investment	5,154	13,720
Profit during the period	218,770	309,988
Profit available for appropriation	1,240,940	1,058,838
Dividend Distributed	83,644	41,822
Un-Appropriated Profit c/f	1,157,296	1,017,016
Dividend Declared (Final)	83,644	83,644

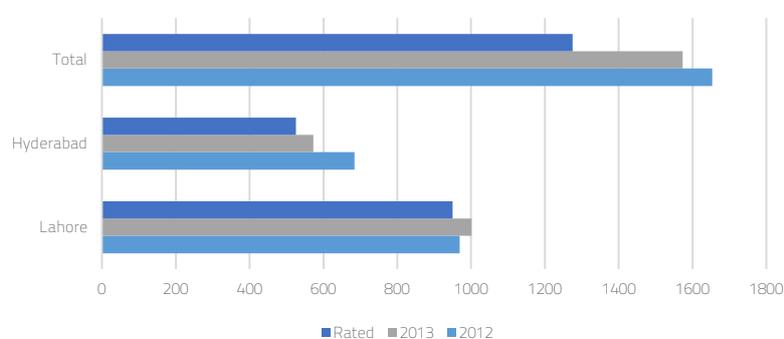
- PTC will carry voting right equal to one-tenth of ordinary share of the Company;
- Profit will be paid on annual basis, 3% of the face value of each PTC or an

- meet working capital requirements;
- pay-off its borrowings including export refinance;

## Production

This year illustrated a decrease of 4.91% in the production of razor/blades over the last year as follows:

(in millions)	Rated	2013	2012
Hyderabad	525	572	684
Lahore	950	1001	969
	1475	1573	1653



## Plant Capacity & Production: Dividend

The Directors of your company have recommended a cash dividend of Rs. 2 per share i.e. @ 20%

## Code of Corporate Governance

The requirements of the Code of Corporate Governance, as introduced by the Securities and Exchange Commission of Pakistan (and set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Rules), have been duly complied with. A statement to this effect is annexed with the report.

## Compliance with Code of Corporate Governance

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

- The financial statements, prepared by the management of your company, fairly present its state of affairs, the result of its operations, cash flows and changes in equity.
  - Keeping in view the financial position of your Company, we do not have any significant doubt upon its continuance as a going concern.
  - There also has not been any material departure from the best practices of corporate governance, as detailed in the listing regulations, during the year under review.
- Proper books of account have been maintained by your company.
- Appropriate accounting policies are consistently applied by your Company 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 there from, if any, has been adequately disclosed.
- The system of Internal Control, being implemented in your Company is sound and has been effectively persisted throughout the year.

## Employee Benefit Funds

Values of investments (in Rs. Million) of employees' retirement funds as per their respective audited accounts for the year ended on June 30, 2013 are as follows:

Provident Fund	273.850
Gratuity Fund	118.556
Superannuation Fund	124.199
Service Fund	78.353
Housing Fund	2.426
Benevolent Fund	0.297

## Audit Committee

In compliance with the Code, the Board of Directors of your Company has established an Audit Committee. Currently Audit Committee has following members;

1.	Mr. Jalees Ahmed Siddiqi	Chairman
2.	Mr. Imran Azim	Member
3.	Syed Sheharyar Ali	Member
4.	Mr. Munir K. Bana	Member

## Internal Audit

In compliance with the Code, the Board of Directors of your Company has also established an Internal Audit Function to monitor and review the adequacy and implementation of Internal Control at each level of your Company.

## Directors' Report to the Shareholders

### Transfer Pricing

It is the company's policy to ensure that all transactions entered with related parties must be at arm's length. In exceptional circumstances, however, company may enter into transactions, other than arm's length transaction, but company should, subject to approval of Board of Directors and Audit Committee, justify (and duly jot down & present in the financial statements) its rationale and financial impact of the departure from the arm's length transaction.

### Risk Management Policy

The Board plays a key role in risk management principally through the Risk Management Committee. Programs have been established to consider and manage operational, strategic, technological, scientific, reputation, environmental health and safety and other risks to the Company's businesses. These are reviewed with the committees on a regular basis.

All operational units incorporate Risk Management into their planning process:

- To minimize risk within the Company.
- To ensure Risk Management is incorporated into the corporate governance systems and management structure of the Company.
- To ensure that significant Risks within the Company are identified and appropriate strategies are in place to manage them.
- To develop effective and efficient Risk Management procedures

### Strategic Planning

It is company's mainstay policy to position itself strategically in order to achieve its vision of being recognized as a world-class manufacturer of top quality products and to deliver value to its consumer; and

1. To ensure that decisions about strategic positioning are made within the context of a comprehensive and shared understanding of the External/Internal environment.
2. To identify and consider opportunities for the Company to consolidate and strengthen its position.
3. To establish productive and mutually-beneficial partnerships to develop a sustainable competitive advantage.
4. To ensure that the Company has strong and effectively aligned planning and budget processes, incorporating review and continuous improvement mechanisms.

### Human Resources

The company is committed to equal opportunity employment. It accepts the obligation as a member of the community-at-large and as an employer to exercise an active and positive program of non-discrimination in all areas of employment. Employment decisions are made by providing equal opportunity and access on the basis of qualification and merits. Moreover, the company shall ensure that fair, consistent, effective and efficient recruitment and selection practices exist in hiring the most suitable candidates.

We consider our employees to be our most valuable asset and to get their commitment and efforts, your Company firmly believes in providing them conducive environment and making them feel a sense of security.

Currently Company is providing various insurance plans/schemes for its employees to financially secure them and/or their family in the event of any mishap and also runs various retirement benefit funds.

**Human Resource and Remuneration Committee** is formed during the last year. The following are the member of the Committee:

Mr. Jalees Ahmed Siddiqi	Chairman
Mr. Munir Karim Bana	Member
Syed Sheharyar Ali	Member
Muhammad Shafique Anjum	Member
Mr. Amir Zia	Member
Rana Shakeel Shaukat	Secretary



## Meetings of the Board of Directors

During the year, the Board of Directors of your company has met four times and the attendance at each of these meetings is as follows:-

Meetings Of the Board					
	02-10-2012	25-10-2012	27-02-2013	17-04-2013	2012-2013
Syed Shahid Ali	P	A	P	P	3/4
Mrs. Ferial Ali Mehdi	A	A	A	P	1/4
Mr. Imran Azim	P	P	A	P	3/4
Mr. Munir K. Bana	P	P	P	P	4/4
Syed Sheharyar Ali	P	P	P	P	4/4
Mr. Jalees Ahmed Siddiqi	P	A	A	A	1/4
Dr. Mrs. Niloufer Mahdi	P	A	A	A	1/4
Muhammad Shafique Anjum	P	P	P	A	3/4
	<b>7/8</b>	<b>4/8</b>	<b>4/8</b>	<b>5/8</b>	
P=Present A=Leave of Absence					

## Pattern of Shareholding

The pattern of shareholding of your Company as on June 30, 2013 is annexed with this report. This statement is in accordance with the amendments made through the Code.

## Share Trading

All trades in the shares of the Company, carried out by its Directors, CEO, CFO, Company Secretary, their spouses and minor children is also disclosed in Form 34 annexed with this report.

## Auditors

The Audit Committee of your Company has recommended that, the present auditors, M/s KPMG Taseer Hadi & Company Chartered Accountants due to retire and being eligible, are offering themselves for reappointment, may be appointed as auditors of your Company for another term.

## Future Outlook

The economy faces fundamental challenges to growth. The existing pattern of consumption-led growth with falling investment is unsustainable. In this context, macroeconomic sustainability and

adequate employment go hand-in-hand with the improved growth prospects necessary to provide adequate employment. Unchanged policies marked by the lack of structural reform, high fiscal deficits, and accommodative monetary policies will mean continued slow growth, excessive inflation, and a weakening balance of payments that drains official reserves. Some drivers of the current situation, such as security challenges, are unlikely to change immediately. However, other factors, such as the energy deficit and the losses run up by public sector enterprises that drain fiscal resources needed for infrastructure development, are more malleable in the near and medium term. Deterioration in the power sector is the main physical constraint on growth and a major cause of financial and economic instability. Power outages are estimated to cut growth by 2 percentage points annually, making it unlikely that Pakistan will be able, without significant reform, to move toward the 7% growth rate needed to generate

adequate employment and meaningful poverty reduction.

*A comprehensive growth/ diversification strategy is being evolved, to increase productivity, efficiency, and competitiveness of the Company, and to explore new areas based on concentric as well as conglomerate diversification to ensure high growth rates that are both sustainable as well as more profitable.*

## Blades:

Trade with India is likely to be boost up in the coming months that offer both opportunities and threat for the Company. Exchange rate between two countries will play an important role in determining term of trade. Imported blades from India are in competition with our blades segment. Your Company is making appropriate strategy to capture the opportunities and counter the ensuing threats. Continuous BMR is under way to enhance the production capacities and to add new products that will help to explore the new markets.

## Soaps:

New brands are introduced and volumes will be further strengthened. Link of Tallow Prices is broken with the Palm Oil Prices. Palm oil prices are expected to calm down further but tallow prices are quite sticky. Efforts are being made to move towards palm oil (i.e. vegetarian soap). This will help to reduce material cost considerably.

## Corrugated Packaging:

Manufacturing sector having forward and backward linkages with other sectors of the economy is considered as the main source of economic growth. LSM growth



## Directors' Report to the Shareholders

is witnessing positive growth in the coming months. The recovery in LSM is likely to be broad based such as improved producer's margin on account of falling raw material prices, better sugarcane crop, and capacity enhancement in iron & steel and paper & board, strength in construction activities and higher external demand for cotton yarn. Moreover, Pakistan's market size is a massive plus for the country with a population of 180 million people. This mammoth number presents tremendous potential and scope for market development and expansion. Your Company is ready to make every effort to effectively tap this potential. However, recent budgetary changes and non-budgetary administrative measures spawned the inflationary pressure on input side. Pass through impact in the short run is limited but in the long run, your Company will be able to increase the prices and will maintain its margins.

### Paper & Board:

The Government is making efforts to improve energy situation to boost industrial growth. The industries like paper & board and steel production constraint eased out by investing in alternate energy arrangement i.e. coal and furnace oil. As already indicated above, if fuel charges are adjusted upward (as already announced by the Government) would further add difficulties to this Sectors (since it is power intensive), but your Company is considering alternate sources of fuels and may revamp the whole operation in the coming months. Thus your Company is seeking the feasibilities of state of the art "paper & board" and "captive power" projects to capitalize the synergies between them.

### Motor Bike:

Consumer durables continued to struggle with import competition as production of automobiles and electronics declined.

Sales and Marketing strategy is altogether revamped to meet the challenges and avoid further bad debts. Pakistani market for motor bikes is humongous particularly due to consecutive good crops and resultant creation of wealth in the suburb areas. New models will be added to cater the market requirement.

### Road Map Ahead:

Your Company is seeking the feasibilities of the following avenues to harness its plans of concentric and conglomerate diversification;

- Captive Power Project up to 25MW plants;
- Educational institute for the development of fine arts and architecture;
- Paper & Board Plant having capacity of 200~400 tons per day;
- Trading venture with the multinational company(ies) that is best fit with the Company's strong distribution network;

### Acknowledgements

We wish to place on record gratitude to our valued customers for their confidence in our products and we pledge ourselves to provide them the best quality by continuously improving our products. We would also like to thank all our colleagues, management and factory staff who are strongly committed

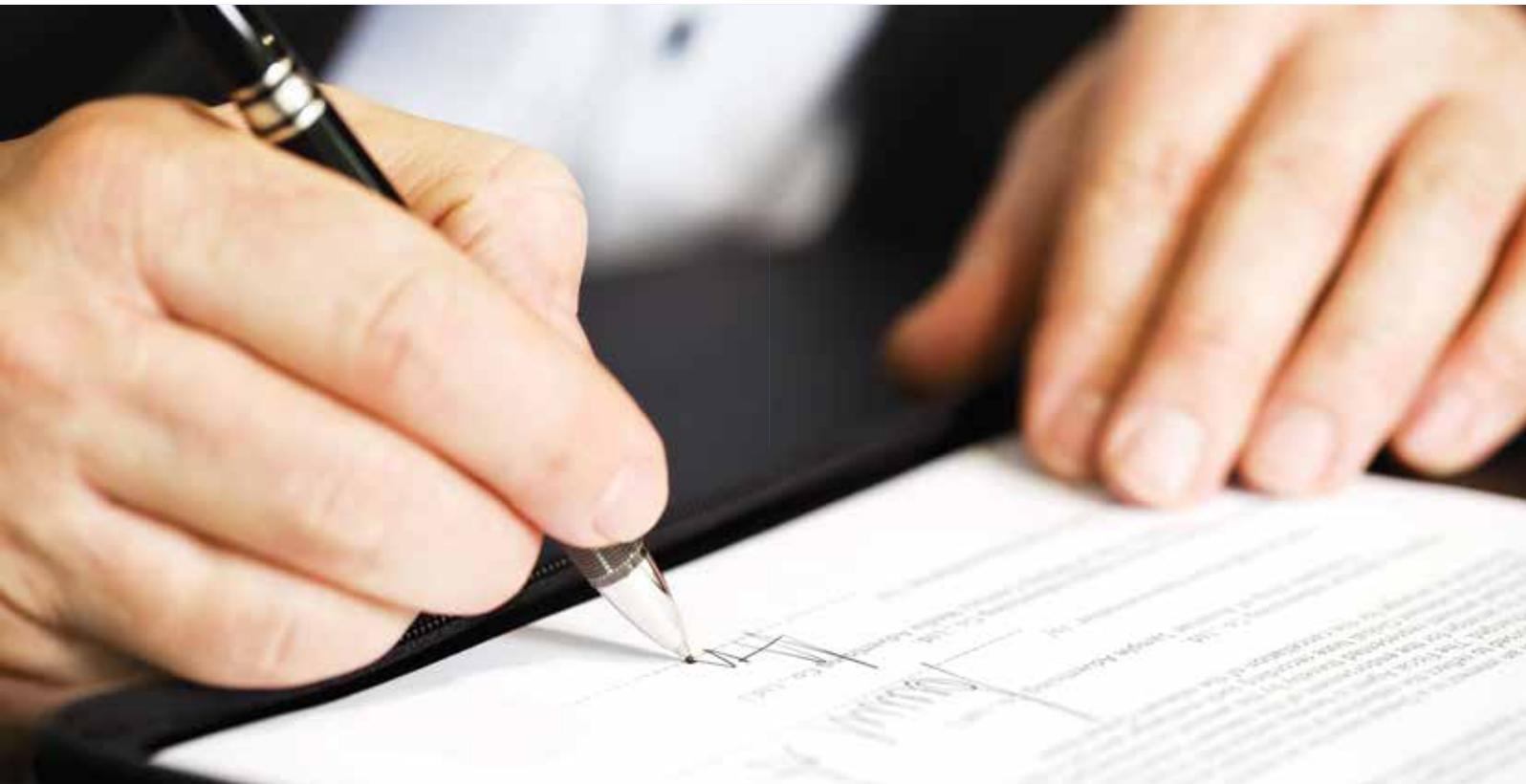
to their work as the success of your Company is built around their efforts. We also thank our shareholders for their confidence in the Company and assure them that we are committed to do our best to ensure best rewards for their investment in the Company.



**SYED SHAHID ALI**  
Chief Executive Officer

# Statement of Compliance with the Best Practices Code of Corporate Governance

For the Year Ended June 30, 2013



This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited, for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

#### Executive Director

Syed Shahid Ali  
Muhammad Shafique Anjum

#### Non-Executive Director

Dr. Mrs. Niloufer Mahdi  
Mrs. Ferial Ali Mehdi  
Mr. Jalees Ahmed Siddiqi  
Mr. Imran Azim  
Syed Sheharyar Ali  
Mr. Munir Karim Bana

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a Banking Company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

# Statement of Compliance with the Best Practices Code of Corporate Governance

For the Year Ended June 30, 2013

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors, have been taken by the board/shareholders.
8. 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 and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three out of eight directors were exempt from the training programs due to their education and practical experience.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG
15. The Board has formed an Audit Committee. All the members including the Chairman are Non-Executive Directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises five members, of whom - three are Non-Executive Directors and the Chairman of the committee is a Non-Executive Director.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.



**SYED SHAHID ALI**  
Chief Executive Officer



## Notice of Annual General Meeting

Notice is hereby given that Annual General Meeting of the shareholders of the Company will be held on Thursday October 31, 2013 at 11.00 A.M. at the Registered Office of the Company situated at 72-B, Kot Lakhpat Industrial Area, Lahore as per following agenda:-

1. To confirm the Minutes of the last Extraordinary General Meeting held on September 30, 2013.
2. To receive, consider and adopt the statement of audited accounts for the year ended June 30, 2013 along with the reports of Directors and Auditors thereon.
3. To approve and declare a dividend @ 20% (Rs. 2.00) per share as recommended by the Board.
4. To appoint Auditors of the Company for the year ending June 30, 2014 and to fix their remuneration. The retiring Auditors M/S. KPMG Taseer Hadi & Co., Chartered Accountants being eligible offer themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

By Order of the Board



(Rana Shakeel Shaukat)  
Company Secretary

Lahore: October 01, 2013

Notes:

- a. The share transfer Books of the Company will remain closed from October 24, 2013 to October 31, 2013 (both days inclusive). Transfers received at the registered office of the Company situated 72-B, Kotlakhpat Industrial Area, Lahore, at the close of business on October 23, 2013 will be treated in time for the purpose of above entitlement to the transferees.
- b. Any member of the company entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.
- c. The shareholders having shares deposited with the CDC are requested to bring their original National Identity Card or Passport and CDC account number for verification.
- d. Members are requested to promptly notify the Company of any change in their addresses.

### DISCLOSURE TO MEMBERS U/S 218(2) OF THE COMPANIES ORDINANCE 1984

Pursuant to the provision of Section 218 of the Companies Ordinance, 1984 the members of the Company are notified that the Board of Directors has approved the appointment of Rana Shakeel Shaukat as a Company Secretary of Treet Group of Companies. Mr. Shaukat has wide experience in corporate secretarial works and good exposure of in operational/strategic corporate matters. He is associate member of the Institute of Chartered Secretaries. His gross aggregate annual remuneration not exceeding Rs. 1.20 million and with Company maintained car. Retirement funds, medical, bonuses/incentives, increments, promotions, leaves will be as per Company's policy, rules and regulations in force from time to time.

## Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2013 prepared by the Board of Directors of Treet Corporation Limited ("the Company") to comply with the Listing Regulations No. 35 of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, sub-regulation (x) of the Listing Regulation No. 35 notified by the respective Stock Exchanges where the Company is listed, require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

Lahore  
Date: October 01, 2013



KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Farid Uddin Ahmad)

# Consolidated Financial Statements

For the year ended 30 June 2013

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## Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Treet Corporation Limited ("the Holding Company") and its subsidiary companies as at 30 June 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Treet Corporation Limited and its subsidiary company, First Treet Manufacturing Modaraba. The financial statements of other subsidiary companies, Global Econo Trade (Private) Limited, TCL Labor Hire Company (Private) Limited, Treet Services (Private) Limited and Treet Power Limited, were audited by another firm of auditors, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the consolidated financial position of Treet Corporation Limited and its subsidiary companies as at 30 June 2013 and the consolidated results of their operations for the year then ended.

Lahore

Date: October 01, 2013



KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Farid Uddin Ahmed)

## Consolidated Balance Sheet

	Note	2013 (Rupees in thousand)	2012
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	2,289,494	2,107,107
Investment property	7	-	55,939
Long term investments	8	214,920	196,584
Long term loans	9	15,538	57,072
Long term deposits	10	24,440	16,305
		<b>2,544,392</b>	<b>2,433,007</b>
<b>Current assets</b>			
Stores and spares	11	186,364	213,609
Stock-in-trade	12	927,275	946,859
Trade debts	13	471,524	498,659
Short term investments	14	540,381	398,491
Loans, advances, deposits, prepayments and other receivables	15	585,927	588,691
Cash and bank balances	16	338,025	589,921
		<b>3,049,496</b>	<b>3,236,230</b>
Non-current assets held for sale	17	88,473	88,473
		<b>3,137,969</b>	<b>3,324,703</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current portion of non-current liabilities	22	179,417	-
Short term borrowings	18	576,180	1,690,116
Loan from director		-	350,000
Trade and other payables	19	571,472	717,231
Accrued mark-up	20	293,514	49,000
Provision for taxation		26,211	105,340
		<b>1,646,794</b>	<b>2,911,687</b>
<b>Net current assets</b>		<b>1,491,175</b>	<b>413,016</b>
<b>Non-current liabilities</b>			
Long term deposits	21	4,041	2,489
Redeemable capital	22	1,075,251	-
Deferred taxation	23	65,875	82,249
		<b>1,145,167</b>	<b>84,738</b>
Contingencies and commitments	24		
		<b>2,890,400</b>	<b>2,761,285</b>
<b>Represented by:</b>			
Authorized capital			
70,000,000 (2012: 70,000,000) ordinary shares of Rs. 10 each		700,000	700,000
10,000,000 (2012: 10,000,000) preference shares of Rs. 10 each		100,000	100,000
		<b>800,000</b>	<b>800,000</b>
Issued, subscribed and paid-up capital	25	418,222	418,222
Reserves	26	489,127	458,328
Unappropriated profit		1,241,334	1,137,871
Shareholders' equity		<b>2,148,683</b>	<b>2,014,421</b>
Non-controlling interest		2,207	2,200
		<b>2,150,890</b>	<b>2,016,621</b>
Surplus on revaluation of property - net of tax	27	739,510	744,664
		<b>2,890,400</b>	<b>2,761,285</b>

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

## Consolidated Profit and Loss Account

	Note	2013 (Rupees in thousand)	2012
Sales - net	28	5,953,868	5,715,274
Cost of sales	29	4,619,834	4,297,736
<b>Gross profit</b>		<b>1,334,034</b>	<b>1,417,538</b>
Administrative expenses	30	157,454	137,575
Distribution cost	31	886,807	636,894
		1,044,261	774,469
<b>Operating profit</b>		<b>289,773</b>	<b>643,069</b>
Finance cost	32	404,091	245,157
Other operating expenses	33	7,794	19,790
		411,885	264,947
Other income	34	333,918	125,858
Share of profit of associate		31,147	11,216
		242,953	515,196
Workers' profit participation fund (WPPF)		12,789	20,187
Workers' welfare fund (WWF)		4,886	5,232
		17,675	25,419
<b>Profit before taxation</b>		<b>225,278</b>	<b>489,777</b>
Taxation			
- Group	35	(389)	66,198
- Associate		11,396	3,044
		11,007	69,242
<b>Profit after taxation</b>		<b>214,271</b>	<b>420,535</b>
<b>Attributable to:</b>			
Equity holders of the parent		214,084	420,225
Non-controlling interest		187	310
		214,271	420,535
Earnings per share - basic and diluted (Rupees)	42	5.12	10.05

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

	2013 (Rupees in thousand)	2012
Profit after taxation	214,271	420,535
Other comprehensive income - net of taxes		
<i>Items that are or may be subsequently reclassified to profit or loss:</i>		
Unrealized (loss)/ gain on available for sale investments	(1,309)	3,019
<b>Total comprehensive income for the year</b>	<b>212,962</b>	<b>423,554</b>
<b>Attributable to:</b>		
Equity holders of the parent	212,775	423,244
Non-controlling interest	187	310
	<b>212,962</b>	<b>423,554</b>

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

## Consolidated Cash Flow Statement

	Note	2013 (Rupees in thousand)	2012
<b>Cash generated from operations</b>	39	<b>542,287</b>	711,218
Finance cost paid		(159,577)	(238,466)
Taxes paid		(136,448)	(106,241)
WPPF and WWF paid		(21,233)	(43,351)
Payment to gratuity fund		(18,217)	(13,012)
Payment to superannuation fund		(15,498)	(12,311)
		<b>(350,973)</b>	(413,381)
<b>Net cash generated from operating activities</b>		<b>191,314</b>	297,837
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(339,643)	(219,479)
Proceeds from sale of property, plant and equipment		36,292	153,193
Proceeds from sale of investment property		68,860	-
Long term investments		123	(101,826)
Long term loans and deposits		33,399	(15,979)
Interest received		15,946	11,948
Dividend received		36,311	26,886
<b>Net cash used in investing activities</b>		<b>(148,712)</b>	(145,257)
<b>Cash flows from financing activities</b>			
Long term deposits		1,552	(2)
Loan from director		(350,000)	350,000
Proceeds from participation term certificates		1,254,668	-
Proceeds from issue of shares		-	581
Short term borrowings		(561,265)	61,212
Dividend paid		(86,782)	(36,629)
<b>Net cash generated from financing activities</b>		<b>258,173</b>	375,162
<b>Net increase in cash and cash equivalents</b>		<b>300,775</b>	527,742
<b>Cash and cash equivalents at the beginning of year</b>		<b>(1,345)</b>	(529,087)
<b>Cash and cash equivalents at the end of year</b>	40	<b>299,430</b>	(1,345)

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.



## Consolidated Statement of Changes in Equity

	Share Capital	Capital Reserve	General Reserve	Fair Value Reserve	Statutory Reserve	Un-appropriated Profit	Total equity attributable to shareholders of parent company	Non-controlling Interest	Total shareholders equity
------(Rupees in thousand)-----									
<b>Balance as at 01 July 2011</b>	418,222	8,949	266,400	-	85,872	839,836	1,619,279	1,400	1,620,679
Final dividend @ 10 % for the year ended 30 June 2011	-	-	-	-	-	(41,822)	(41,822)	-	(41,822)
Incremental depreciation relating to surplus on revaluation of property - net of tax	-	-	-	-	-	5,991	5,991	-	5,991
Surplus on revaluation of property, plant and equipment realised through disposal	-	-	-	-	-	7,729	7,729	-	7,729
Additional capital subscribed by non-controlling interest	-	-	-	-	-	-	-	581	581
Transferred to statutory reserve	-	-	-	-	94,088	(94,088)	-	-	-
Total comprehensive income for the year	-	-	-	3,019	-	420,225	423,244	310	423,554
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(91)	(91)
<b>Balance as at 30 June 2012</b>	418,222	8,949	266,400	3,019	179,960	1,137,871	2,014,421	2,200	2,016,621
Final dividend @ 20 % for the year ended 30 June 2012	-	-	-	-	-	(83,644)	(83,644)	-	(83,644)
Incremental depreciation relating to surplus on revaluation of property - net of tax	-	-	-	-	-	5,154	5,154	-	5,154
Transferred to statutory reserve	-	-	-	-	32,131	(32,131)	-	-	-
Realised gain on disposal of available for sale investments transferred to profit and loss	-	-	-	(23)	-	-	(23)	-	(23)
Total comprehensive income for the year	-	-	-	(1,309)	-	214,084	212,775	187	212,962
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(180)	(180)
<b>Balance as at 30 June 2013</b>	<b>418,222</b>	<b>8,949</b>	<b>266,400</b>	<b>1,687</b>	<b>212,091</b>	<b>1,241,334</b>	<b>2,148,683</b>	<b>2,207</b>	<b>2,150,890</b>

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1 Status and nature of the business

The group comprises of :

### Holding Company

- Treet Corporation Limited

### Subsidiary companies

	2013	2012
	(Holding percentage)	
- Global Econo Trade (Private) Limited	100%	100%
- First Treet Manufacturing Modaraba	99.8%	99.8%
- TCL Labor-Hire (Private) Limited	100%	100%
- Treet Services (Private) Limited	100%	100%
- Treet Power Limited	100%	100%
<b>Associate Company</b>		
Loads Limited	20.82%	20.82%

Treet Corporation Limited (the holding Company) was incorporated in Pakistan on 22 January 1977 as a Public Limited Company under the Companies Act, 1913. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the holding company is to manufacture and sell razors and razor blades along with sale of soaps. The registered office of the holding company is situated at 72-B, Industrial Area, Kot Lakhpat, Lahore.

Global Econo Trade (Private) Limited was incorporated in Pakistan on 21 October 2004 as a Private Limited Company under the Companies Ordinance, 1984. Global Econo Trade (Private) Limited commenced its commercial operations from 01 January 2005. The principal activity of Global Econo Trade (Private) Limited is manufacturing and sale of bikes. Its registered office is situated at 72 - B, Industrial Area, Kot Lakhpat, Lahore.

First Treet Manufacturing Modaraba is a multi purpose, perpetual and multi dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 on 27 July 2005 and rules framed there under and is managed by GET, incorporated in Pakistan under the Companies Ordinance, 1984 and registered with registrar of Modaraba Companies. Its registered office is situated at 72-B, Industrial Area, Kot Lakhpat, Lahore. First Treet Manufacturing Modaraba is listed on Lahore Stock Exchange and is engaged in the manufacture and sale of corrugated boxes, paper and soap.

TCL Labor-Hire (Private) Limited was incorporated in Pakistan on 18 September 2006 as a Private Limited Company under the Companies Ordinance, 1984. TCL Labor-Hire (Private) Limited is engaged in the business of rendering professional and technical services and providing related workforce to the host companies / customers under service agreements. Its registered office of TCL Labor-Hire (Private) Limited is situated at 72-B, Industrial Area, Kot Lakhpat, Lahore.

Treet Services (Private) Limited was incorporated in Pakistan on 26 October 2007 as a Private Limited Company under the Companies Ordinance, 1984. Treet Services (Private) Limited is engaged in the business of whole range of industrial, administrative, technical and accounting control as well as janitorial and premises maintenance, providing of contractual employment and supply of labor. Its registered office is situated at 72-B, Industrial Area, Kot Lakhpat, Lahore.

Treet Power Limited was incorporated on 20 November 2007 in Pakistan as an unquoted Public Limited Company under the Companies Ordinance, 1984. At present Treet Power Limited is planning to set up an electric power generation project for generating, distribution and selling of electric power. Its registered office is situated at 72-B, Industrial Area, Kot Lakhpat, Lahore.

### **Basis of Consolidation**

These consolidated financial statements comprise the financial statements of the holding company and its subsidiary companies as at 30 June 2013.

#### **(a) Subsidiaries**

The financial statements of the subsidiary companies have been consolidated on a line-by-line basis and the carrying values of the investments held by the holding company have been eliminated against the shareholders' equity in the subsidiary companies.

The financial statements of the subsidiaries are prepared for the same reporting year as the holding company, using consistent accounting policies.

All intragroup balances, transactions, income and expenses and profits and losses resulting from intragroup transactions that are recognised in assets, are eliminated in full.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the holding company obtains control, and continue to be consolidated until the date that such control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as Goodwill.

#### **(b) Non-controlling interest**

Non-controlling interest is that part of net results of operations and of net assets of the subsidiaries which are not owned by the holding company either directly or indirectly. Non-controlling interest is presented as a separate item in the consolidated financial statements. The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group and are recorded in the income statement.

#### **(c) Associates**

Associates are all entities over which the Group has significant influence but not control. The Group's share of its associate's post-acquisition profit or loss is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

# Notes to the Consolidated Financial Statements

## 2 Basis of preparation

### 2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Standard Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

### 2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for investments classified as investment at fair value through profit or loss and available for sale which are stated at fair value and obligations in respect of superannuation and gratuity schemes which are measured at present value, while land and buildings are stated at revalued amounts. In these financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

### 2.3 Functional and presentational currency

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

## 3 Use of estimates and judgments

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

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

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

	Note
- Retirement and other benefits	5.1
- Provision for taxation	5.2
- Residual values and useful lives of property, plant and equipment	5.3
- Provisions	5.17
- Contingent liabilities	5.23

## 4 New and revised approved accounting standards, interpretations and amendments thereto

New standards, amendments to approved accounting standards and interpretations which became effective during the year ended 30 June 2013

There were certain new standards and amendments to the approved accounting standards which became effective during the year but are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed in these consolidated financial statements except for the amendment to IAS 1 'Presentation of financial statements' regarding 'other comprehensive income'.

The primary change resulting from this amendment is that the Group has grouped items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustment).

Had there been no change in the aforementioned accounting, there would not have been any bifurcation of items appearing in the 'other comprehensive income'.

**Standards, interpretations and amendments to published approved International Financial Reporting Standards that are not yet effective:**

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 01 July 2013.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Group's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains / losses amounting to Rs. 65.889 million at 30 June 2013 would need to be recognized in other comprehensive income.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on consolidated financial statements of the Group.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Group.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position. The amendments have no impact on consolidated financial statements of the Group.

## Notes to the Consolidated Financial Statements

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on consolidated financial statements of the Group.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Group.
- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments ' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

## 5 Summary of significant accounting policies

### 5.1 Employee retirement benefits

#### Defined contribution plans

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

Another recognized contributory fund scheme namely "Treet Corporation Limited-Group Employee Service Fund" is in operation which covers all permanent management employees. In accordance with the rules of the scheme, equal monthly contributions are made both by the Group and employees at 10% of basic pay from the date the employee gets permanent status. Additional contributions may be made by the Group 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 the basic pay at any time.

#### Defined benefit plans

An approved funded gratuity scheme and a funded superannuation scheme are also in operation for all employees with qualifying service periods of six months and ten years respectively. These are operated through "Treet Corporation Limited-Group Employee Gratuity Fund" and "Treet Corporation Limited-Group Employee Superannuation Fund" respectively. According to the policy, provisions are made annually to cover the obligation on the basis of actuarial valuation using Projected Unit Credit Method and are charged to income currently, related details of which are given in note 19.5 to the consolidated financial statements.

Actuarial gain/losses are recorded based on actuarial valuation that is carried out annually. A portion of accumulated actuarial gain/losses is recognised in profit and loss account to the extent that net cumulative unrecognised actuarial gains/losses at the end of previous period exceeded the greater of:

- (i) 10% of the present value of the defined benefit obligation (before deducting plan assets); and
- (ii) 10% of the fair value of any plan assets.

These limits shall be calculated and applied separately for each defined benefit plan.

### 5.2 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

#### Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account available tax credits and tax rebates. The charge for current tax includes adjustments to charge for prior years, if any.

## Notes to the Consolidated Financial Statements

### Deferred

Deferred tax is recognised using the balance sheet liability method, on all major temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

### 5.3 Property, plant and equipment

#### Cost

These are carried at cost except for land and buildings, which are stated at revalued amount. However, land and buildings which were purchased subsequent to last revaluation date are carried at cost.

#### Gain/(loss) on disposal

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

#### Capitalization threshold

Following are the minimum threshold limits for capitalization of individual items:

Particulars	Rupees
Building on free hold land	50,000
Plant and machinery	10,000
Office equipments	8,000
Furniture and fixture	10,000
Others	10,000

#### Incremental depreciation

Incremental depreciation charged for the period on revalued assets is transferred from surplus on revaluation of fixed assets to retained earnings during the year.



### Method of depreciation

Depreciation on fixed assets other than freehold land is charged on straight-line basis, whereby the cost of assets is written off over their useful life. The rates of depreciation are specified in note 6.1.

Depreciation on additions is charged from the day on which an asset is available for use till the day the asset is fully depreciated or disposed off.

Residual values and useful lives are reviewed at each balance sheet date and adjusted if the impact on depreciation is significant.

Assets, which have been fully depreciated, are retained in the books at a nominal value of Rupee 1.

### Subsequent costs

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

## **5.4 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.

## **5.5 Investment property**

Property not held for own use or for the sale in the ordinary course of business is classified as investment property. The investment property of the Group comprises land and buildings and are valued using the cost method and are stated at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on investment property other than freehold land is charged to profit and loss account on straight-line method so as to write off the depreciable amount of building over its estimated useful life at the rate of 5 per cent per annum. Depreciation on additions is charged from the day on which the property becomes available for use till the day the property is fully depreciated or disposed off.

The property's residual values, depreciation method and useful life are reviewed at each balance sheet date and adjusted if the impact on depreciation is significant.

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

## Notes to the Consolidated Financial Statements

### 5.6 Investments

#### Investments available for sale

Investments classified as investments available for sale are initially recognised at cost, being the fair value of consideration given. At subsequent dates, these investments are re-measured at fair values (quoted market price), unless fair value cannot be measured. The investment for which quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology.

All purchases and sales of investments are recognized on the trade date which is the date that the Group commits to purchase or sell the investment. Cost of purchase includes transaction cost.

Unrealized gains and losses arising from changes in fair values are directly recognized in equity in the period in which these arise. Cumulative gains and losses arising from changes in fair value are included in net profit or loss for the period in which an investment is derecognized.

#### Held to maturity investments

Investments with a fixed maturity that the Group has the intent and ability to hold to maturity are classified as held-to-maturity investments. These are initially recognized on trade date at cost and derecognized by the Group on the date it commits to sell them off. At each balance sheet date held-to-maturity investments are stated at amortized cost using the effective interest rate method.

#### Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of generating profits from short term fluctuations in price or dealer margin are classified as "Investments at fair value through profit or loss account" these are initially recognized on trade date at cost and derecognized by the Group on the date it commits to sell them off. At each balance sheet date, fair value is determined on the basis of year-end bid prices obtained from stock exchange quotations. Any resultant increase/(decrease) in fair value is recognized in the profit and loss account for the year.

Investments are treated as current assets where the intention is to hold these for less than twelve months from the balance sheet date, otherwise investments are treated as long-term assets.

### 5.7 Impairment of assets

The Group assesses at each balance sheet date, whether there is any indication that asset may be impaired. If such an indication exists, the carrying amount of such assets is reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed their respective recoverable amounts, assets are written down to their recoverable amount and resulting impairment loss is recognised in income currently. The recoverable amount is higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. A reversal of the impairment loss is recognized in income.

## 5.8 Stores and spares

These are valued at the lower of moving average cost and net realizable value except for items in transit, which are valued at invoice price and related expenses incurred upto the balance sheet date. Adequate provision is made for slow moving items. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools.

## 5.9 Stock-in-trade

Stock of raw materials, packing materials, work-in-process and finished goods is 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 costs to complete and to make the sale.

## 5.10 Trade debts

Trade debts are carried at original invoice amount less an allowance for doubtful debts based on a review of all outstanding amounts at the year end. Balances considered bad and irrecoverable are written off as and when identified.

## 5.11 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pakistani Rupees, at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the foreign exchange rates at the balance sheet date. Foreign exchange gains and losses are taken to the profit and loss account.

## 5.12 Revenue recognition

- (i) Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Revenue from sale of goods is recognised when the significant risk and rewards of ownership of the goods are transferred to the buyer i.e. on the dispatch of goods to the customers.

- (ii) Interest / mark-up is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.
- (iii) Dividend income is recognized when the right to receive payment is established.
- (iv) Return on bank deposits, investments and interest on loans is accounted for on a time proportion basis using the applicable rate of return/interest.
- (v) Other revenues are recorded on accrual basis.

## Notes to the Consolidated Financial Statements

### 5.13 Borrowing cost

Borrowing costs are interest or other costs incurred by the Group in connection with the borrowing of funds. Borrowing cost that is directly attributable to qualifying assets is capitalized as part of cost of that asset.

### 5.14 Financial instruments

- (i) Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.
- (ii) Financial assets are de-recognised when the Group loses control of the contractual rights that comprise the financial asset.
- (iii) Financial liabilities are de-recognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired.
- (iv) The particular measurement methods adopted are disclosed in the individual policy statement associated with each item.
- (v) Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

### 5.15 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 and outstanding balance of running finance facilities availed by the Group.

### 5.16 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

### 5.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

### 5.18 Research and development costs

Research and development costs are charged to income as and when incurred.

#### 5.19 Group Employees Housing Fund

An unrecognized contributory fund scheme namely, "Treet Corporation Limited - Group Employees Housing Fund Scheme" (the Scheme) is in operation covering permanent management employees with minimum five years of service with the Group. Equal contributions are made monthly both by the Group and employees in accordance with the rules of the Scheme at 20% of the basic pay.

#### 5.20 Dividends

Dividend distribution to the shareholders is recognised as a liability in the period in which the dividends are approved.

#### 5.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Group Company's Chief Executives to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results, asset and liabilities include items directly attributable to segment as well as those that can be allocated on reasonable basis.

#### 5.22 Contingent assets

Contingent assets are disclosed when there is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognized until their realization become virtually certain.

#### 5.23 Contingent liabilities

A contingent liability is disclosed when:

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

## Notes to the Consolidated Financial Statements

	Note	2013 (Rupees in thousand)	2012
<b>6 Property, plant and equipment</b>			
Operating fixed assets	6.1	1,966,829	1,788,428
Transfer to non-current assets held for sale	17	(6,488)	(6,488)
		<b>1,960,341</b>	1,781,940
Capital work-in-progress	6.2	329,153	325,167
		<b>2,289,494</b>	2,107,107

**6.1 Property, plant and equipment**

	Annual rate of depreciation	Cost / revalued amount as at 01 July 2012	Additions/ (Deletions)	Cost / revalued amount as at 30 June 2013	Accumulated depreciation as at 01 July 2012	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2013	Book value as at 30 June 2013
	%	----- (Rupees in thousand) -----						
<b>Owned</b>								
Freehold land	-	829,004	68,577	897,581	-	-	-	897,581
Building	5	566,263	55,552 (12,738)	609,077	144,792	28,836 (3,806)	169,822	439,255
Plant and machinery	10	988,456	157,248 (982)	1,144,722	564,979	71,767 (751)	635,995	508,727
Furniture and equipment	10 - 25	46,266	2,945 (1,291)	47,920	31,000	3,590 (667)	33,923	13,997
Vehicles	20	154,806	51,335 (29,132)	177,009	55,596	31,932 (17,788)	69,740	107,269
<b>2013</b>		<b>2,584,795</b>	<b>335,657 (44,143)</b>	<b>2,876,309</b>	<b>796,367</b>	<b>136,125 (23,012)</b>	<b>909,480</b>	<b>1,966,829</b>
	Annual rate of depreciation	Cost / revalued amount as at 01 July 2011	Additions/ (Deletions)	Cost / revalued amount as at 30 June 2012	Accumulated depreciation as at 01 July 2011	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2012	Book value as at 30 June 2012
	%	----- (Rupees in thousand) -----						
<b>Owned</b>								
Freehold land	-	965,815	- (136,811)	829,004	-	-	-	829,004
Buildings	5	565,186	1,077 -	566,263	117,387	27,405 -	144,792	421,471
Plant and machinery	10	944,362	44,592 (498)	988,456	499,758	65,458 (237)	564,979	423,477
Furniture and equipment	10 - 25	42,621	3,782 (137)	46,266	27,518	3,557 (75)	31,000	15,266
Vehicles	20	108,971	69,659 (23,824)	154,806	46,927	22,601 (13,932)	55,596	99,210
<b>2012</b>		<b>2,626,955</b>	<b>119,110 (161,270)</b>	<b>2,584,795</b>	<b>691,590</b>	<b>119,021 (14,244)</b>	<b>796,367</b>	<b>1,788,428</b>

6.1.1 Land and buildings were first revalued on 17 November 2003 by an independent valuer M/s Indus Surveyors (Member of Insurance Surveyors Association of Pakistan). Land was revalued on the basis of current market value and buildings have been revalued on the basis of replacement value. Subsequently, land and buildings were revalued on 30 June 2009 by BFA (Private) Limited (Member of Insurance Surveyors Association of Pakistan) resulting in surplus of Rs. 642.57 million.

6.1.2 Had there been no revaluation, the net book value of specific classes of operating fixed assets would have amounted to:

	2013	2012
	(Rupees in thousand)	
Land	229,998	161,422
Buildings	328,021	302,309
	558,019	463,731

6.1.3 The following assets were disposed off during the year :

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit	Mode of disposal	Sold to
----- (Rupees in thousand) -----							
<b>Vehicles</b>							
Suzuki Mehran LEC-07-379 Motor cycle	350	293	57	350	293	Company scheme	Nadeem Afzal
LEA-10-1328 Toyota Corolla	66	13	53	60	7	Company scheme	Muhammad Samad
GLJ LEA-12-1940 Honda City	1,756	148	1,608	2,095	487	Company scheme	Muhammad Tariq Aziz
LZS-8182 Daihatsu Cuore	600	249	351	376	25	Company scheme	Mohammad Yunus Khan
LEE-2770 Honda Civic	474	271	203	474	271	Company scheme	M. Azhar Saeed Butt
LED-09-1947 Suzuki Mehran	1,626	937	689	1,215	526	Company scheme	Javed Aslam
AFU-848 Suzuki Mehran	420	33	387	420	33	Company scheme	Mohammad Ayub
LEA-09-4459 Suzuki Mehran	507	352	155	241	86	Company scheme	Tariq Rasheed
AHS-426 Suzuki Cultus	350	251	99	350	251	Company scheme	Ashfaq Ahmed Abbasi
LEA-07-7183 Suzuki Mehran	682	180	502	350	(152)	Company scheme	Imran Munawar
LZL-292 Motor cycle	350	184	166	350	184	Company scheme	Shafique Ahmed Bhatti
LZA-9823 Motor cycle	90	24	66	90	24	Company scheme	Abdul Rauf Khan
LER-12A-9091 Toyota Prius	97	7	90	97	7	Company scheme	Mohammad Zeeshan
LEA-13-6429	1,850	132	1,718	1,600	(118)	Company scheme	Ayaz Ahmed
	9,218	3,074	6,144	8,068	1,924		

Employees

## Notes to the Consolidated Financial Statements

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit	Mode of disposal	Sold to
----- (Rupees in thousand) -----							
<b>Building</b>							
67/C-III Gulberg, Lahore	12,738	3,806	8,932	11,141	2,209	Negotiation	Mr. Shafique Ahmad
	12,738	3,806	8,932	11,141	2,209		
<b>Plant &amp; Machinery</b>							
Transformer 2000 KVA	597	597	-	925	925	Scrapped	Energy Switch Gear and Services
Inkjet Printer For Kil	385	154	231	165	(66)	Scrapped	Coding Technologies
	982	751	231	1,090	859		
Other assets with book value less than Rs. 50,000	21,205	15,381	5,824	15,993	10,169		
<b>2013</b>	<b>44,143</b>	<b>23,012</b>	<b>21,131</b>	<b>36,292</b>	<b>15,161</b>		
2012	161,270	14,244	147,026	153,193	6,167		

	Note	2013 (Rupees in thousand)	2012
<b>6.1.4</b>	Depreciation charge for the year has been allocated as follows:		
Cost of goods sold - blades	29.1	72,228	59,777
Cost of goods sold - soap	29.2	2,688	2,678
Cost of goods sold - packaging solutions- corrugated boxes	29.3	13,349	12,953
Cost of goods sold - bike	29.4	1,214	1,210
Cost of goods sold - paper and board mill	29.5	12,932	12,815
		102,411	89,433
Administrative expenses	30	25,242	23,162
Distribution cost	31	8,472	6,426
		136,125	119,021
<b>6.2</b>	<b>Capital work-in-progress</b>		
Building		10,109	13,695
Plant and machinery		319,044	311,472
		329,153	325,167



## 7 Investment property

	Annual rate of depreciation	Cost as at 01 July 2012	Additions/ (Deletions)	Cost as at 30 June 2013	Accumulated depreciation as at 01 July 2012	Depreciation charge for the year	Accumulated depreciation as at 30 June 2013	Book value as at 30 June 2013
	%	------(Rupees in thousand)-----						
Freehold land	-	46,000	(46,000)	-	-	-	-	-
Building on freehold land	5	15,000	-	-	5,061	729	-	-
			(15,000)			(5,790)		
<b>2013</b>		<b>61,000</b>	<b>-</b>	<b>-</b>	<b>5,061</b>	<b>729</b>	<b>-</b>	<b>-</b>
			<b>(61,000)</b>			<b>(5,790)</b>		

	Annual rate of depreciation	Cost as at 01 July 2011	Additions/ (Deletions)	Cost as at 30 June 2012	Accumulated depreciation as at 01 July 2011	Depreciation charge for the year	Accumulated depreciation as at 30 June 2012	Book value as at 30 June 2012
	%	------(Rupees in thousand)-----						
<b>Owned</b>								
Freehold land	-	46,000	-	46,000	-	-	-	46,000
Building on freehold land	5	15,000	-	15,000	4,311	750	5,061	9,939
<b>2012</b>		<b>61,000</b>	<b>-</b>	<b>61,000</b>	<b>4,311</b>	<b>750</b>	<b>5,061</b>	<b>55,939</b>

7.1 Depreciation charge for the year has been allocated to administrative expenses.

7.2 The approximate market value of investment property as at 30 June 2013 amounts to Rs. Nil (2012: Rs. 90 million).

	Note	2013 (Rupees in thousand)	2012
<b>8 Long term investments</b>			
Available for sale investments	8.1	<b>27,449</b>	28,863
Investments in associated company - ZIL Limited	8.2	-	-
Investments in associated company - Loads Limited	8.3	<b>187,471</b>	167,721
		<b>214,920</b>	196,584
<b>8.1 Available for sale investments</b>			
Quoted investments	8.1.1	<b>12,497</b>	13,911
Un-quoted investments	8.1.2	<b>14,952</b>	14,952
		<b>27,449</b>	28,863

## Notes to the Consolidated Financial Statements

		2013	2012	Cost		Market Value		Percentage of holding		
				2013	2012	2013	2012	2013	2012	
				Number	Number	(Rupees in thousand)	(Rupees in thousand)	%	%	
<b>8.1.1</b>	<b>Quoted investments</b>									
	<b>Associated companies</b>									
	ZIL Limited	30 June 2012	500	500	3	3	53	52	0.009	0.009
	Add: Unrealized gain				50	49				
					53	52				
	IGI Investment Bank Limited	30 June 2012	6,549,549	6,599,549	10,807	10,889	12,444	13,859	3.09	3.46
	Add: Unrealized gain				1,637	2,970				
					12,444	13,859				
					12,497	13,911	12,497	13,911		

	Note	Latest available audited financial statements for the year ended	Number of ordinary shares of Rs 10 each		Cost		Percentage of holding		
			2013	2012	2013	2012	2013	2012	
			Number	Number	(Rupees in thousand)	(Rupees in thousand)	%	%	
<b>8.1.2</b>	<b>Un-quoted investments</b>								
	Techlogix International Limited	8.1.2.1	31 December 2011	748,879	748,879	8,593	8,593	0.74	0.74
	Less: Provision for impairment					(7,038)	(7,038)		
						1,555	1,555		
	Systems Limited	8.1.2.1	31 December 2012	956,172	956,172	10,150	10,150	2.46	2.46
	Visionet Systems Incorporation	8.1.2.1	31 December 2012	36,891	36,891	3,247	3,247	2.46	2.46
						14,952	14,952		

**8.1.21** The breakup value per share as per latest available audited financial statements for Techlogix International Limited, Systems Limited and Visionet Systems Incorporation is Rs. 4.27 (2012: Rs. 3.58), Rs. 22.26 (2012: Rs. 18.65) and Rs. 124.4 (2012: 97.64) per share respectively.

**8.1.22** The ordinary shares of Systems Limited have par value of Rs. 10 each. The ordinary shares of Techlogix International Limited and Visionet Systems Incorporation have par value of USD 0.00015 and USD 1 respectively.

	Note	2013 (Rupees in thousand)	2012
<b>8.2 Investments in associated company - ZIL Limited</b>			
Cost of investment		-	4,137
Reclassified to available for sale investments		-	-
Partial disposal of investment		-	-
		-	4,137
Post acquisition profit :			
Brought forward	8.2.1	-	32,347
Profit for the year before taxation		-	4,342
Less: provision for taxation		-	(1,362)
Less: Dividends received during the year		-	(1,460)
		-	1,520
		-	38,004
Less: carrying amount of investment disposed off		-	(38,001)
Less: investment classified as available for sale investments		-	(3)
Balance as at 30 June		-	-

**8.2.1** At 30 June 2012, the Group had lost the significant influence over ZIL Limited, as a result of which its investments had been disposed off which was accounted for under equity method previously.

**8.3 Investments in associated company - Loads Limited**

Cost		167,721	162,529
Share of post acquisition profits :			
Profit for the year before taxation		31,146	6,874
Less: provision for taxation		(11,396)	(1,682)
		19,750	5,192
Balance as at 30 June		187,471	167,721

The Company's share of the result of its associated company, which is unlisted and incorporated in Pakistan, and its share of the assets, liabilities, revenue and profit based on unaudited management accounts is as follows:

	Percentage interest held	Assets	Liabilities	Revenue	Profit
------(Rupees in thousand)-----					
2013	20.82%	360,094	141,536	508,023	19,750
2012	20.82%	304,631	105,521	429,701	5,192

## Notes to the Consolidated Financial Statements

	Note	2013 (Rupees in thousand)	2012
<b>9 Long term loans</b>			
Loan to housing fund - unsecured		1,848	3,895
Loans to employees - secured, considered good	9.1	8,895	45,367
Long term prepayment	9.4	17,003	20,169
Less : current portion			
Loan to housing fund - unsecured	15	(1,848)	(5,044)
Loan to employees - secured, considered good	15	(7,194)	(4,263)
Long term prepayments	15	(3,166)	(3,052)
		<b>(12,208)</b>	<b>(12,359)</b>
		<b>15,538</b>	<b>57,072</b>

**9.1** These are interest free loans to the Group's employees for construction of house and purchase of cycles which are repayable in monthly installments over a period of 12 to 24 months and are secured against employee retirement benefits. These include an amount of Rs. 6.209 million (2012: Rs. 2.276 million) receivable from the executives of the Group. There is no amount that is receivable from Directors and Chief Executive of the Holding Company.

**9.2** Reconciliation of the carrying amount of loans to executives:

Balance as at 01 July	2,276	343
Disbursements	6,916	3,794
Repayments	(2,983)	(1,861)
Balance as at 30 June	<b>6,209</b>	<b>2,276</b>

**9.3** The maximum amount due from the executives at the end of any month during the year was Rs. 1.23 million (2012: Rs. 0.95 million).

**9.4** This represents advance given to Khatoon Industries (Private) Limited ("KIL") for equipment installation services amounting to Rs. 15.06 million (2012: Rs. 17.21 million) and civil works amounting to Rs. 1.95 million (2012: Rs. 2.96 million) carried out on rice husk boiler. Advance against equipment installation services and civil works will be adjusted against rent payable to KIL in lieu of use of soap manufacturing facility in 97 and 36 equal monthly installments respectively.

<b>10 Long term deposits</b>			
Utility deposits		21,579	15,511
Others		2,861	794
		<b>24,440</b>	<b>16,305</b>

	Note	2013 (Rupees in thousand)	2012
<b>11 Stores and spares</b>			
Stores		47,864	62,191
Spares	11.1	138,500	151,418
		<b>186,364</b>	<b>213,609</b>

11.1 It includes spares in transit amounting to Rs. 9.19 million (2012: Rs. 43.378 million).

11.2 Stores and spares includes items which may result in fixed capital expenditure but are not distinguishable.

## 12 Stock-in-trade

<b>Blades:</b>			
Raw materials and packing material	12.1	363,580	298,249
Work-in-process		47,273	47,305
Finished goods	12.2	87,479	77,583
		<b>498,332</b>	<b>423,137</b>
Slow moving raw material stock written off	29.1	(1,193)	(2,486)
		<b>497,139</b>	<b>420,651</b>
<b>Soaps:</b>			
Raw and packing materials	12.3	91,143	109,186
Work-in-process		32,102	34,913
Finished goods		52,589	24,395
		<b>175,834</b>	<b>168,494</b>
<b>Packaging solutions- corrugated boxes:</b>			
Raw and packing materials	12.4	145,907	222,011
Work-in-process		5,198	3,044
Finished goods		18,854	8,205
		<b>169,959</b>	<b>233,260</b>
<b>Bike:</b>			
Raw and packing materials		29,555	78,812
Work-in-process		34,955	12,021
Finished goods		-	-
		<b>64,510</b>	<b>90,833</b>
<b>Paper and board mill:</b>			
Raw and packing materials		17,515	24,252
Work-in-process		223	191
Finished goods		2,095	9,178
		<b>19,833</b>	<b>33,621</b>
		<b>927,275</b>	<b>946,859</b>

## Notes to the Consolidated Financial Statements

- 12.1 It includes raw material in transit amounting to Rs. 40.951 million (2012: Rs. 49.135 million).
- 12.2 The amount charged to profit and loss account on account of write down of finished goods to net realisable value amounted to Rs. 9.771 million (2012: Rs. Nil).
- 12.3 It includes raw material in transit amounting to Rs. 38.64 million (2012: Rs. 31.82 million).
- 12.4 It includes raw material in transit amounting to Rs. 10.52 million (2012: Rs. 4.505 million).

	Note	2013 (Rupees in thousand)	2012
<b>13 Trade debts</b>			
Foreign- secured, considered good		12,095	21,025
Foreign- unsecured, considered good		58,400	54,178
Local unsecured - considered good		401,029	423,456
		471,524	498,659
Considered doubtful – others	13.1	22,499	29,203
		494,023	527,862
Provision for doubtful debts		(22,499)	(29,203)
		471,524	498,659
<b>13.1 The movement in provision for doubtful debts for the year is as follows:</b>			
Balance as at 01 July		29,203	12,465
Provision for the year - net of recoveries	31	7,398	16,738
Bad debt written off against provision		(3,923)	-
Reversal of provision for doubtful debts	34	(10,179)	-
Balance as at 30 June		22,499	29,203
<b>14 Short term investments</b>			
Investment at fair value through profit or loss			
Listed equity securities	14.1	522,153	366,806
Mutual funds	14.2	13,041	21,685
Future markets	14.3	5,187	-
Term finance certificates		-	5,000
Term deposit receipts		-	5,000
		540,381	398,491

## 14.1 Details of investment in listed equity securities are stated below:

Sector /Companies	Share certificates		Market value	
	2013 Number	2012 Number	2013 (Rupees in thousand)	2012
<b>Banks</b>				
NIB Bank Limited	-	2,217,532	-	4,413
BankIslami Pakistan Limited	400,000	-	2,606	-
Investment Capital Investment Bank Limited	200,000	-	312	-
Silk Bank Limited	149,500	-	338	-
<b>Power generation and distribution</b>				
Kohinoor Energy Limited	-	2,151,707	-	46,262
<b>Modaraba</b>				
First Habib Bank Modaraba	-	500	-	4
First National Bank Modaraba	-	2,903,187	-	14,284
First Al-Noor Modaraba	366,500	474,547	1,836	2,325
First Punjab Modaraba	-	199,801	-	296
<b>Industrial metal and mining</b>				
Crescent Steel and Allied Products Limited	-	1,511,763	-	35,067
<b>Sugar and allied industry</b>				
Shahtaj Sugar Mills Limited	-	167,455	-	12,800
Al-Noor Sugar Mills Limited	927,000	637,973	43,569	27,014
Mirpur Khas Sugar Mills Limited	-	17,170	-	646
The Thal Industries Corporation Limited	25,315	32,068	1,005	1,403
<b>Cable and electrical goods</b>				
Siemens Pakistan Engineering Company Limited	55,400	40,081	36,076	29,945

## Notes to the Consolidated Financial Statements

	Share certificates		Market value	
	2013 Number	2012 Number	2013 (Rupees in thousand)	2012
<b>Textile</b>				
Indus Dyeing and Manufacturing Company Limited	450,010	421,571	265,281	170,631
Bannu Woolen Mills Limited	1,478,000	34,961	113,658	787
Sunrays Textile Mills Limited	1,000	2,612	194	168
Island Textile Mills Limited	1,300	-	775	-
Shahtaj Textile Limited	309,000	-	11,433	-
Janana De Malucho Textile Mills Limited	-	17,686	-	363
<b>Financial services</b>				
Atlas Insurance Limited	-	126,969	-	3,796
Habib Insurance Company Limited	-	332,349	-	3,685
<b>Paint</b>				
Berger Paints Pakistan Limited	52,000	-	1,201	-
Akzo Nobel Pakistan Limited	549,800	-	33,059	-
<b>Miscellaneous</b>				
Descon Oxychem Limited	-	214,575	-	833
Amtex Limited	-	417,600	-	894
Dadex Eternit Limited	-	8,000	-	357
Shifa International Hospital	-	37,739	-	1,168
Otsuka Pakistan Limited	-	10,390	-	372
Dynea Pakistan Limited	-	134,660	-	2,723
Ghani Gases Limited	-	105,822	-	978
PICIC Investment Fund	-	100,000	-	551
Habib Adl Limited	-	245,282	-	5,041
Baluchistan Wheels Limited	208,000	-	10,192	-
Bawany Air Products Limited	11,500	-	169	-
Emco Industries Limited	37,500	-	113	-
Leiner Pak Gelatine Limited	21	-	336	-
			522,153	366,806



## 14.2 Details of investment in mutual funds are stated below:

	2013 Number	2012 Number	2013 (Rupees in thousand)	2012
First Habib Cash Fund	-	114,733	-	11,596
Trustee Pakistan Cash Management	26,081	24,121	1,317	1,207
Askari Sovereign Cash Fund	20,014	18,136	2,002	1,833
Atlas Money Market Fund	10,922	10,012	5,485	5,032
PICIC Cash Management Fund	10,942	10,020	1,098	1,007
JS Cash Fund	19,385	-	2,037	-
Faysal Money Market Fund	10,809	9,827	1,102	1,010
			13,041	21,685

## 14.3 Details of investment in future market is stated below:

	Ounces		Market value	
	2013 Number	2012 Number	2013 (Rupees in thousand)	2012
Investment in commodities (gold -spot future )	42	-	5,187	-
			5,187	-

	Note	2013 (Rupees in thousand)	2012
<b>15 Loans, advances, deposits, prepayments and other receivables</b>			
Current portion of loan to housing fund - unsecured	9	1,848	5,044
Current portion of long term prepayments	9	3,166	3,052
Current portion of loan to employees - secured, considered good	9	7,194	4,263
		12,208	12,359
Advances to employees - secured, considered good	15.1	25,531	11,588
Advances to suppliers - unsecured Considered good		177,854	242,256
Considered doubtful		2,000	2,000
		179,854	244,256
Less: Provision for doubtful advance		(2,000)	(2,000)
		177,854	242,256

## Notes to the Consolidated Financial Statements

	Note	2013 (Rupees in thousand)	2012
Advance income tax		272,333	230,999
Margin deposits - Letter of credits		5,461	2,905
Prepayments		17,926	10,404
Insurance claim receivable		655	386
Interest accrued		-	4,392
Advances to related parties	15.2		
Wazir Ali Industries Limited		-	13
Loads Limited		142	72
IGI Investment Bank		-	10,000
		142	10,085
Receivable from statutory authorities			
Export rebate		32,931	14,024
Freight subsidy		-	6,359
Collector of customs		546	2,763
Sales tax		5,518	14,160
		38,995	37,306
Workers profit participation fund	15.3	8,583	5,372
Dividend receivable		-	5,688
Receivable from broker against sale of investments		353	-
Other receivables		25,886	14,951
		585,927	588,691

**15.1** These are interest free advances to the Group's employees in respect of salary, medical and traveling expenses and are secured against employees retirement benefits. These include an aggregate amount of Rs. 1.092 million (2012: Rs. 2.65 million) receivable from executives of the Group. These also include an amount of Rs. 3.682 million given to Chief Executive of the Holding Company against traveling.

**15.2** This represents advances given to these companies for purchase of goods under normal business trade as per the agreed terms.

**15.3 Workers' profit participation fund**

Balance (receivable) / payable as at 01 July	(5,372)	15,714
Add: Charge for the year	12,789	20,187
	7,417	35,901
Less: Paid during the year	(16,000)	(41,273)
Balance (receivable) as at 30 June	(8,583)	(5,372)

	Note	2013 (Rupees in thousand)	2012
<b>16 Cash and bank balances</b>			
Cash in hand		18,818	12,364
Cash at bank - local currency			
Current accounts		53,727	29,258
Saving accounts	16.1	265,480	548,299
		319,207	577,557
		338,025	589,921

16.1 These carry mark-up at the rates ranging from 6% to 8.25% per annum (2012: 5 to 12% per annum).

#### 17 Non-current assets held for sale

Balance as at 01 July		88,473	225,285
Disposal during the year	6	-	(136,812)
Balance as at 30 June		88,473	88,473

17.1 The Group had entered into various agreements to sell the above mentioned freehold lands. Under these agreements sale was expected to be completed within one year upon receipt of the full amount and registration of the sale deed. However, the buyers requested for an extension in the payment period till September 2013 which the management granted with mutual consent. Advance amounting to Rs. 91.593 million has been received against the non-current assets held for sale as at 30 June 2013 as given in note 19 of these consolidated financial statements. Rs. 88.473 million include amounts of Rs. 81.985 million transferred from investment properties and Rs. 6.488 million transferred from property, plant and equipment.

17.2 The approximate market value of non-current assets held for sale as at 30 June 2013 amounts to Rs. 131.55 million.

#### 18 Short term borrowings

Short term running finance - secured	18.1	38,595	591,266
Money market loans - secured	18.2	-	610,000
Export refinance - secured	18.3	537,585	488,850
		576,180	1,690,116

18.1 The Holding Company has arranged facilities for short-term running finance from various banks under mark-up arrangement to the extent of Rs. 1,650 million (2012: Rs. 1,950 million). These carry mark-up at the rates ranging from 9.33% to 13.64% per annum (2012: 12.48% to 15.06% per annum).

18.2 This represents money market loans obtained from commercial banks. These carry mark-up at the rates ranging from 9.32% to 12.97% per annum (2012: 12.92% to 15.06% per annum). These loans are for periods ranging from 28 to 180 days.

## Notes to the Consolidated Financial Statements

- 18.3 The Holding Company has arranged facilities of export refinance from various banks under mark-up arrangement to the extent of Rs. 1,250 million (2012: Rs. 1,050 million). These carry mark-up at the rate of 8.7% to 11% per annum (2012: 11% per annum).
- 18.4 All short term borrowings of the Holding Company are secured by way of joint first pari passu hypothecation charge of Rs. 3,468 million (2012: 4,135 million) on the entire present and future current assets of the Holding Company.

	Note	2013 (Rupees in thousand)	2012
<b>19 Trade and other payables</b>			
Trade creditors			
Related parties	19.1	3,298	2,977
Others		90,990	54,575
		94,288	57,552
Other creditors			
Related parties	19.2	1,502	1,549
Others		18,268	102,883
		19,770	104,432
Payable against letter of credit		23,006	17,201
Accrued liabilities		160,100	334,107
Advances from customers		67,718	24,499
Advance against non-current assets held for sale		91,593	91,593
Payable to broker		4,386	-
Workers' welfare fund	19.3	4,886	5,233
Employees deposits		37,362	38,845
Payable to employees housing fund		-	584
Payable to service fund		1,932	-
Unclaimed dividend		3,102	6,060
Payable to employees		833	311
Sales tax payable		21,074	3,734
Income tax deducted at source		2,233	454
Other payables		4,616	1,083
Payable to employee retirement benefit funds			
Payable to gratuity fund	19.4	16,793	16,793
Payable to superannuation fund	19.4	14,750	14,750
Payable to employees provident fund	19.5	3,030	-
		34,573	31,543
		571,472	717,231

		2013	2012
		(Rupees in thousand)	
<b>19.1</b>	<b>Trade creditors</b>		
	Packages Limited	2,586	2,292
	DIC Pakistan Limited	712	685
		<b>3,298</b>	<b>2,977</b>
<b>19.2</b>	<b>Related parties</b>		
	ZIL Limited	26	65
	IGI Insurance Limited	13	11
	IGI Investment Bank	1,463	1,463
	Orient Trading (Private) Limited	-	10
		<b>1,502</b>	<b>1,549</b>
<b>19.3</b>	<b>Workers' welfare fund</b>		
	Balance as at 01 July	5,233	2,079
	Add: Charge for the year	4,886	5,232
		<b>10,119</b>	<b>7,311</b>
	Less: Paid during the year	(5,233)	(2,078)
	Balance as at 30 June	<b>4,886</b>	<b>5,233</b>

#### 19.4 Employee retirement benefits

- a) Movement in the liability recognized in the balance sheet in respect of following funded schemes is given below:

	2013			2012		
	Gratuity	Superan-nuation	Total	Gratuity	Superan-nuation	Total
	------(Rupees in thousand)-----					
Net liability as at 01 July	16,793	14,750	31,543	13,012	12,311	25,323
Expense for the year						
Treet Corporation Limited	13,306	12,349	25,655	13,244	12,689	25,933
TCL Labor-Hire Company (Pvt) Ltd.	4,911	3,149	8,060	3,549	2,061	5,610
	<b>18,217</b>	<b>15,498</b>	<b>33,715</b>	<b>16,793</b>	<b>14,750</b>	<b>31,543</b>
Contributions made by the Company during the year	(18,217)	(15,498)	(33,715)	(13,012)	(12,311)	(25,323)
Net liability as at 30 June	<b>16,793</b>	<b>14,750</b>	<b>31,543</b>	<b>16,793</b>	<b>14,750</b>	<b>31,543</b>

## Notes to the Consolidated Financial Statements

- b) Reconciliation of the liability recognized in the balance sheet in respect of these funded schemes is shown below.

	2013			2012		
	Gratuity	Superannuation	Total	Gratuity	Superannuation	Total
------(Rupees in thousand)-----						
Present value of defined benefit obligation	151,408	143,977	295,385	123,212	117,516	240,728
Fair value of plan assets	(101,762)	(96,189)	(197,951)	(85,663)	(86,264)	(171,927)
Un-recognized actuarial losses	(32,853)	(33,038)	(65,891)	(20,756)	(16,502)	(37,258)
Closing liability	16,793	14,750	31,543	16,793	14,750	31,543

- c) Movement in present value of defined benefits obligation is as follows:

	2013			2012		
	Gratuity	Superannuation	Total	Gratuity	Superannuation	Total
------(Rupees in thousand)-----						
Present value of defined benefit obligation as at 01 July	123,212	117,516	240,728	107,825	103,779	211,604
Current service cost	12,687	11,071	23,758	11,267	10,173	21,440
Interest cost	16,017	15,277	31,294	15,096	14,529	29,625
Benefits paid during the year	(14,854)	(16,598)	(31,452)	(11,507)	(11,651)	(23,158)
Actuarial loss on present value of defined benefit obligation	14,346	16,711	31,057	531	686	1,217
Present value of defined benefit obligation as at 30 June	151,408	143,977	295,385	123,212	117,516	240,728

## d) Movement in fair value of plan assets is as follows:

	2013			2012		
	Gratuity	Superan- nuation	Total	Gratuity	Superan- nuation	Total
------(Rupees in thousand)-----						
Fair value of plan assets as at 01 July	85,663	86,264	171,927	73,910	74,632	148,542
Expected return on plan assets	11,136	11,214	22,350	10,348	10,449	20,797
Contribution paid during the year	18,217	15,498	33,715	13,012	12,311	25,323
Benefits paid during the year	(14,854)	(16,598)	(31,452)	(11,507)	(11,651)	(23,158)
Actuarial gain/(loss) on plan assets	1,600	(189)	1,411	(100)	523	423
Fair value of plan assets as at 30 June	101,762	96,189	197,951	85,663	86,264	171,927

## Plan assets comprise of:

Term finance certificates	20,272	18,723	38,995	16,400	19,995	36,395
Listed securities	11,106	12,792	23,898	9,542	10,568	20,110
Deposits with banks	12,715	7,152	19,867	7,254	2,487	9,741
Investment in mutual funds	1,931	-	1,931	1,672	1,275	2,947
Government securities	51,500	54,000	105,500	49,300	49,000	98,300
Advance to other fund	1,443	-	1,443	30	-	30
Other	2,795	3,522	6,317	1,465	2,939	4,404
	101,762	96,189	197,951	85,663	86,264	171,927

## e) The following amounts have been charged to the profit and loss account during the current year in respect of these funded schemes.

Current service cost	12,687	11,071	23,758	11,267	10,173	21,440
Interest cost	16,017	15,277	31,294	15,096	14,529	29,625
Expected return on assets	(11,136)	(11,214)	(22,350)	(10,348)	(10,449)	(20,797)
Actuarial loss	649	364	1,013	778	497	1,275
Net amount chargeable to profit and loss account	18,217	15,498	33,715	16,793	14,750	31,543

The expense included in above table includes Rs. 18.06 million (2012: Rs.5.61 million) relating to TCL Labor-Hire Company (Private) Limited.

## Notes to the Consolidated Financial Statements

- f) Actuarial valuation of these plans was carried out as of 30 June 2013 using the projected unit credit method, the principal actuarial assumptions used are as follows:

	2013	2012
Expected rate of increase in salary level	9.5%	12%
Valuation discount rate	10.5%	13%
Rate of return on plan assets	13%	14%

g) **Historical Information**

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund is as follows:

	As at 30 June				
	2013	2012	2011	2010	2009
	------(Rupees in thousand)-----				
Present value of defined benefit obligation	151,408	123,212	107,825	91,088	81,314
Fair value of plan assets	101,762	85,663	73,910	65,999	60,264
Deficit	(49,646)	(37,549)	(33,915)	(25,089)	(21,050)
Experience adjustment arising on defined benefit obligation	14,346	531	7,368	78	4,463
Experience adjustment arising on plan assets	1,600	(100)	(283)	(1,521)	(3,070)

The present value of defined benefit obligation, the fair value of plan assets and the deficit of funded superannuation scheme fund is as follows:

Present value of defined benefit obligation	143,977	117,516	103,779	92,635	84,846
Fair value of plan assets	96,189	86,264	74,632	67,315	60,535
Deficit	(47,788)	(31,252)	(29,147)	(25,320)	(24,311)
Experience adjustment arising on defined benefit obligation	16,711	686	3,172	(897)	4,414
Experience adjustment arising on plan assets	(189)	523	(342)	(163)	(1,043)



- 19.5 The Group has set up provident fund for its permanent employees. The total charge against provident fund for the year was Rs. 20 million (2012: Rs. 13.95 million). The net assets based on unaudited financial statements of provident fund for the year ended 30 June 2013 amount to Rs. 273.85 million (2012: Rs. 256.58 million). The fair value of investments of provident fund was Rs. 245.23 million (2012: Rs. 236.63 million) and the cost of the investment was Rs. 241.68 million (2012: Rs. 238.14 million). The above investments out of provident fund have been made in accordance with the requirement of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2013 (Rupees in thousand)	2012	2013 %	2012 %
19.5.1 The break-up of fair value of investments is:				
Treasury bills	-	42,300	-	18%
National saving bonds/ Special saving bonds	34,300	44,300	14%	19%
Pakistan investment bonds	68,500	65,000	28%	27%
National investment trust units	4,237	3,026	2%	1%
Mutual funds	5,651	6,266	2%	3%
Listed securities	41,576	28,804	17%	12%
Term finance certificates	19,741	21,117	8%	9%
Term deposit certificates	25,415	25,415	10%	11%
Participation term certificates	45,050	-	19%	0%
Account with broker for investment	762	398	0%	0%
	<b>245,232</b>	<b>236,626</b>	<b>100%</b>	<b>100%</b>

	2013 (Rupees in thousand)	2012
20 Accrued mark-up		
Participation term certificates	279,805	-
Short term borrowings	13,709	49,000
	<b>293,514</b>	<b>49,000</b>

## 21 Long term deposits

These represent interest free deposits received from freight forwarding agencies and other contractors repayable after performance of contracts.

## 22 Redeemable capital

Participation term certificates	1,254,668	-
Less: Current portion shown under current liabilities	(179,417)	-
	<b>1,075,251</b>	<b>-</b>

## Notes to the Consolidated Financial Statements

During the year, the Holding Company had offered to the shareholders of the Holding Company, 41,822,250 Participation Term Certificates (PTCs) of Rs. 30 each. This offer was made in the ratio of 1 PTC for every 1 ordinary share held by the Holding Company's shareholders as on 04 October 2012. These PTCs are listed on all stock exchanges of Pakistan. The salient terms of this issue are as follows:

### Terms and conditions

The PTCs are mandatorily convertible into ordinary shares of the Holding Company at the ratio of two PTCs into one ordinary share in a period of 7 years. Principal amount of PTC will be reduced through redemption (in cash and through share conversion). The principal redemption through cash is Rs. 0.15 per PTC per annum from year 2013 to year 2019 and principle redemption through share conversion is 0.07 share per PTC per annum from year 2013 to year 2018 and 0.08 for year 2019.

The PTC holder shall be paid minimum profit at Rs. 4.14 per annum for each PTC, along with a contingent profit payment based on the consolidated profits before tax WWF, WPPF and finance cost relating to PTCs based on following criteria.

### Pay- off matrix

Profit from	Profit to	Payoff % on excess amount of profit
-	179,500,000	Nil
179,500,001	250,000,000	72% of amount exceeding Rs.179,500,000
250,000,001	350,000,000	Rs.50,760,000 and 25% of amount exceeding Rs.250,000,000
350,000,001	450,000,000	Rs.75,760,000 and 20% of amount exceeding Rs.350,000,000
450,000,001	550,000,000	Rs.95,760,000 and 15% of amount exceeding Rs.450,000,000
550,000,001	650,000,000	Rs.110,760,000 and 10% of amount exceeding Rs.550,000,000
650,000,001	and above	Rs.120,760,000 and 5% of amount exceeding Rs.650,000,000

Contingent profits are based on the actual profit before tax, WPPF, WWF and interest on participation term certificates for the current year and projected profits for the years from 2014 to 2019. Projected profits before tax, WPPF, WWF and interest on participation term certificates for the years from 2014 to 2019 were approved by the Board of Directors as a part of prospectus.

The following table shows the redemption of PTC for the year 2013.

Principal redemption in cash	Principal redemption in shares	Principal value redemption	Increase in ordinary share capital	Increase in ordinary share capital	Share premium of conversion	Category "A" payment in cash	Category "B" payment in cash
(----- Rupees in thousands -----)		Shares		(----- Rupees in thousands -----)			
6,273	173,144	179,417	2,927,557	29,276	143,868	179,417	106,661

The Holding Company will issue 2,927,557 ordinary shares of face value of Rs. 10 per share against Rs. 173.144 million.

Payment of Category "A" & "B" payments and share conversion will be made on or before 02 November 2013 on the basis of entitlement dates of the above payments as on 09 October 2013.

The PTCs are recognised in the balance sheet as a compound instrument. The fair value of the liability component of the PTCs is calculated by discounting cashflows at a rate of approximately 15.5% which represents the rate of similar instrument with no associated equity component.

### Securities

As per the terms and conditions of the security trust deed dated May 16, 2011 executed between Treet Corporation Limited and Faysal Bank Limited, the PTC will be secured by the following:

First pari passu hypothecation charge of Rs. 165 million over the present and future current assets lying at factory premises, warehouse or any other place of storage/ godowns in Pakistan and all such future goods/ stocks/ assets which in ordinary course of business would normally be considered part of current assets of the Holding Company pursuant to letter of hypothecation dated May 16, 2011.

First exclusive equitable mortgage of Rs. 1,254.67 million over the mortgaged property, i.e. land measuring 11.62 acres situated in Kot Lakhpat, Industrial Area Scheme, Lahore (Quaid-e-Azam Industrial Estate) bearing Plot No. 72-B together with all buildings, structures, fittings and fixtures permanently fastened to land and erections built or erected or to be built or erected thereon pursuant to Memorandum of Deposit of Title Deeds dated May 16, 2011.

First Exclusive Floating charge of Rs. 1,254.67 over the present and future movable fixed assets of the Holding Company pursuant to deed of floating charge dated May 16, 2011.

Pledge of Rs. 250 million over the liquid assets (i.e. listed securities having value of at least Rs. 250 million pledged in favor, or under lien, of the Security Trustee, which may include shares of Packages Limited, IGI Insurance Limited, ZIL Limited and/or any other liquid securities) pursuant to the letter of lien and pledge dated May 16, 2011.

The above investment in shares/securities will be kept in CDC Account which shall be under pledge of security trustee. However, movement in/from the said pledged account will not be restricted by the security trustee provided that aggregate value of Rs. 250 million. The security trustee shall ensure that the closing balance of shares in the pledged account at anytime shall not fall below the equivalent Rupee value of Rs. 250 million.

	2013	2012
	(Rupees in thousand)	
<b>23 Deferred taxation</b>		
Deferred tax comprises of the following:		
	77,183	82,951
	(8,067)	-
	(2,555)	-
	(686)	(702)
	<b>65,875</b>	<b>82,249</b>

## Notes to the Consolidated Financial Statements

### 24 Contingencies and commitments

#### 24.1 Contingencies

##### Contingencies - The Holding Company

- The Company is in appeal before the Appellate Tribunal Inland Revenue(ATIR) Lahore against the order passed by Additional Commissioner of Income Tax Large Tax Payer Unit (LTU) u/s 12(9A) of the repealed Income Tax Ordinance, 1979 for the assessment year 2000-01. As a result of this order, an income tax demand of Rs. 12.794 million along with an additional tax of Rs. 2.011 million had been created against the Company. Since the order of Additional Commissioner is out of jurisdiction, the Company is of the view that no tax demand will ultimately arise or become payable.
- The Company is in second appeal before the ATIR against the order passed by the Commissioner of Income Tax (Appeals) on the issue of proportion of profits between local and export sales for tax year 2003 and 2006, involving income tax demand of Rs. 16.051 million. However, the Company has filed a rectification application on account of incorrect computation, there by the actual tax demand without concealing the legitimate position on this issue is Rs.5.759 million instead of 16.052 million. The management is of the view that no tax demand will ultimately arise or become payable.
- For the assessment year 1999-2000 the Taxation Officer Circle-11, Companies Zone-II, Lahore had charged additional tax amounting to Rs. 3.269 million on the grounds that the Company had failed to deposit the tax due on the basis of the Company's return filed on dated 30-12-1999. The Taxation Officer was wrong as the due tax had been paid by the Company. In this regard a rectification application had been moved to the department to rectify the levy of additional tax. Since this mistake is apparent from the record therefore, the Company feel it would be rectified accordingly, with a tax refund equivalent to that amount available to the Company.
- For the tax period July to October 2011 a sales tax demand of Rs. 1.559 million was created by the Deputy Commissioner Inland Revenue, Audit-03, Zone-1, LTU, Lahore for alleged default of compliance of section 8(1)(CA) of the Sales Tax Act, 1990. Against this order, the Company filed appeal before the Commissioner Inland Revenue (Appeals), Zone-1, Lahore; and got a relief of Rs. 424,273. The Company has also filed second appeal before the ATIR and expects a favourable outcome, as the Honorable Lahore High Court, Lahore has declared the provision of section 8(1) (CA) ultra-vires.
- The Company has filed an appeal before the Commissioner Inland Revenue (Appeals), Zone-1, Lahore; against the order passed by the Deputy Commissioner Inland Revenue, Enforcement-05 & 09, Zone-1, LTU u/s 161/205 for a tax demand of Rs. 253,958 for the tax year 2006. A favourable outcome is expected in the appeal as the Company has complied with the relevant withholding tax provisions.

**Contingencies - First Treet Manufacturing Modaraba**

- For the tax year 2011, the Deputy Commissioner of Inland Revenue, RTO, Lahore has passed an order u/s 161/205 and arbitrarily created a tax demand of Rs. 1.52 million. Against this order, the Company filed appeal before the Commissioner of Inland Revenue (Appeal-II), Lahore which is pending adjudication at this point in time. The Company is of the view that favourable outcome is expected as the Company is fully compliant of withholding tax provisions.

**Contingencies - Global Econo Trade ( Private ) Limited**

- The Company is contingently liable to an income tax demand in the sum of Rs. 34.646 million as determined by the Deputy Commissioner Inland Revenue, Enforcement 4 & 8 (Zone-1), LTU, Lahore, under section 161/205 for the tax year 2009, where-against the Company is in appeal before the Commissioner Inland Revenue- Appeals (Zone-1) Lahore, pending adjudication at the terminal date. The Company is also contingently liable to another income tax demand in the sum of Rs. 26.601 million as determined by the additional Commissioner Inland Revenue, Audit (Zone-1), LTU, Lahore, under section 221 for the tax year 2011, where against the Company is also in appeal before the Commissioner Inland Revenue Appeals (Zone -1), Lahore. The management as well as tax advisors of the Company are of the considered opinion that such tax demand having been fictitious and arbitrary will be deleted in first appeal, hence no provisions therefore have been made in these consolidated financial statements.

**24.2 Commitments**

Outstanding letters of credit as at 30 June 2013 amounted to Rs. 591.08 million (2012: Rs. 779.415 million).

- Commitments for ijarah rentals for ijarah financing from Standard Chartered Modaraba Rs. Nil (2012:8.711).

	2013	2012
	(Rupees in thousand)	
- For the year ended 30 June 2013	-	3,797
- For the year ended 30 June 2014	-	3,797
- For the year ended 30 June 2015	-	1,117
	-	8,711

## Notes to the Consolidated Financial Statements

## 25 Issued, subscribed and paid-up capital

2013 (Number of shares)	2012	Note	2013 (Rupees in thousand)	2012
2,594,075	2,594,075	Ordinary shares of Rs. 10 each fully paid-up in cash	25,940	25,940
1,095,000	1,095,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	10,950	10,950
38,133,175	38,133,175	Ordinary shares of Rs. 10 each fully issued as bonus shares	381,332	381,332
<b>41,822,250</b>	<b>41,822,250</b>		<b>418,222</b>	<b>418,222</b>

## 26 Reserves

Capital reserves	26.1	8,949	8,949
General reserves		266,400	266,400
Fair value reserves		1,687	3,019
Statutory reserves		212,091	179,960
		<b>489,127</b>	<b>458,328</b>

## 26.1 Capital reserves

Excess of net worth over purchase consideration of assets of Wazir Ali Industries Limited	629	629
Share premium	8,320	8,320
	<b>8,949</b>	<b>8,949</b>

## 27 Surplus on revaluation of property - net of tax

Balance as at 01 July	1,173,924	1,195,031
Surplus on revaluation of fixed assets during the year		
Transferred to unappropriated profit in respect of incremental depreciation charged during the		
Year - net of deferred tax	(5,154)	(5,991)
Related deferred tax liability	(2,775)	(3,225)
Write-down of fixed assets	-	(11,891)
	<b>(7,929)</b>	<b>(21,107)</b>
Surplus on revaluation of fixed assets as at 30 June	<b>1,165,995</b>	<b>1,173,924</b>

		Note	2013 (Rupees in thousand)	2012
Less: Related deferred tax liability on:				
	Revaluation as at 01 July		429,260	436,647
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(2,775)	(3,225)
	Write-down of fixed assets		-	(4,162)
			426,485	429,260
Balance as at 30 June			739,510	744,664
<b>28</b>	<b>Sales - net</b>			
	Blades	28.1	3,425,135	3,173,300
	Soaps	28.2	718,363	815,034
	Packing material	28.3	1,311,748	1,234,210
	Bike	28.4	352,893	261,428
	Paper and board mill	28.5	145,729	231,302
			5,953,868	5,715,274
<b>28.1</b>	<b>Blades</b>			
	Local sales		2,407,372	2,451,608
	Export sales		1,409,699	1,191,549
			3,817,071	3,643,157
	Less: Sales tax		328,811	336,180
	Trade discount		63,125	133,677
			391,936	469,857
			3,425,135	3,173,300
<b>28.2</b>	<b>Soaps</b>			
	Local Sales		861,673	977,284
	Export Sales		-	-
			861,673	977,284
	Less: Sales tax		143,310	162,175
	Trade discount		-	75
			143,310	162,250
			718,363	815,034

## Notes to the Consolidated Financial Statements

	Note	2013 (Rupees in thousand)	2012
<b>28.3</b>	<b>Packaging solutions- Corrugated boxes</b>		
Local Sales		1,519,482	1,426,429
Less: Sales tax		207,575	191,410
Trade discount		159	809
		207,734	192,219
		<b>1,311,748</b>	<b>1,234,210</b>
<b>28.4</b>	<b>Bike</b>		
Local Sales		413,874	304,293
Less: Sales tax		57,678	42,032
Trade discount		3,303	833
		60,981	42,865
		<b>352,893</b>	<b>261,428</b>
<b>28.5</b>	<b>Paper and board mill</b>		
Local Sales		168,692	266,624
Less: Sales tax		22,543	35,322
Trade discount		420	-
		22,963	35,322
		<b>145,729</b>	<b>231,302</b>
<b>29</b>	<b>Cost of goods sold</b>		
Blades	29.1	2,340,603	2,085,454
Soaps	29.2	625,531	665,657
Packaging solutions- Corrugated boxes	29.3	874,260	839,967
Bike	29.4	346,702	234,721
Paper and board mill	29.5	432,738	471,937
		<b>4,619,834</b>	<b>4,297,736</b>



	Note	2013 (Rupees in thousand)	2012
<b>29.1 Cost of goods sold - Blades</b>			
Opening stock of raw material and packing material		298,249	205,882
Purchases		1,390,829	1,321,865
Slow moving raw material stock written off	12	1,193	2,486
Less: Closing stock of raw and packing material		(363,580)	(298,249)
Raw and packing materials consumed		1,326,691	1,231,984
Stores and spares consumed		106,923	99,119
Salaries, wages and other benefits	29.1.1	529,246	424,415
Fuel and power		212,600	182,968
Repair and maintenance		17,851	14,975
Rent, rates and taxes		2,662	2,590
Insurance		33,248	28,868
Product research and development		-	35
Traveling and conveyance		16,952	10,917
Printing and stationery		2,723	2,706
Postage and telephone		4,832	4,822
Legal and professional charges		1,142	1,936
Entertainment		1,361	1,547
Staff training		414	286
Subscriptions		1,089	618
Depreciation on property, plant and equipment	6.1.4	72,228	59,777
ljarah lease rentals		484	2,485
Expenses for computerisation		4,779	-
Other expenses		15,242	16,610
		<b>2,350,467</b>	<b>2,086,658</b>
Opening stock of work-in-process		47,305	44,587
Closing stock of work-in-process	12	(47,273)	(47,305)
Cost of goods manufactured		<b>2,350,499</b>	<b>2,083,940</b>
Opening stock of finished goods		77,583	79,097
Closing stock of finished goods	12	(87,479)	(77,583)
		<b>2,340,603</b>	<b>2,085,454</b>

**29.1.1** Salaries, wages and other benefits include Rs. 10.25 million (2012: Rs. 12.5 million) and Rs. 9.84 million (2012: Rs. 22.83 million) in respect of defined benefit schemes and defined contribution schemes respectively.

## Notes to the Consolidated Financial Statements

	Note	2013 (Rupees in thousand)	2012
<b>29.2</b>	<b>Cost of goods sold - Soaps</b>		
	Opening stock of raw material and packing material	75,527	55,918
	Purchases	531,066	632,891
	Closing stock of raw material and packing material	(52,495)	(75,527)
	Raw material and packing material consumed	554,098	613,282
	Stores and spares consumed	6,584	5,695
	Salaries, wages and other benefits	32,638	23,487
	Fuel and power	44,281	32,387
	Traveling and conveyance	406	351
	Repair and maintenance	762	1,112
	Plant rental	5,898	7,776
	Insurance	571	489
	Fee and Subscriptions	15	5
	Depreciation on property, plant and equipment	6.1.4	2,688
	Manufacturing charges	1,150	708
	Legal and professional expenses	29	1,245
		649,120	689,215
	Opening stock of work-in-process	34,913	14,682
	Closing stock of work-in-process	(32,102)	(34,913)
	Cost of goods manufactured	651,931	668,984
	Opening stock of finished goods	26,189	22,862
	Closing stock of finished goods	(52,589)	(26,189)
		625,531	665,657
<b>29.3</b>	<b>Cost of goods sold - Packaging solution-Corrugated boxes</b>		
	Opening stock of raw material and packing material	217,506	142,616
	Purchases	609,323	720,587
	Closing stock of raw material and packing material	(135,390)	(217,506)
	Raw material and packing material consumed	691,439	645,697
	Stores and spares consumed	30,814	33,878
	Salaries, wages and other benefits	88,705	77,750
	Fuel and power	47,685	49,569
	Repair and maintenance	7,971	12,054
	Rent rates and taxes	1,763	173
	Insurance	1,612	1,500
	Traveling and conveyance	4,517	5,107
	Depreciation on property, plant and equipment	6.1.4	13,349
	Legal and professional expenses	-	26
	Other expenses	2,304	2,521
		890,159	841,228

	Note	2013 (Rupees in thousand)	2012
Opening stock of work-in-process		3,044	3,575
Closing stock of work-in-process		(5,198)	(3,044)
Cost of goods manufactured		888,005	841,759
Opening stock of finished goods		5,109	3,317
Closing stock of finished goods		(18,854)	(5,109)
		874,260	839,967
<b>29.4 Cost of goods sold - Bike</b>			
Opening stock of raw material and packing material		78,812	14,942
Purchases		305,007	281,961
Closing stock of raw material and packing material		(29,555)	(78,812)
Raw material and packing material consumed		354,264	218,091
Stores and spares consumed		625	828
Salaries and wages		10,288	8,550
Fuel and power		-	5
Repair and maintenance		1,667	1,437
Postage		-	77
Printing and stationery		125	556
Legal and professional		-	8
Entertainment		-	59
Traveling and conveyance		485	570
Depreciation on property, plant and equipment	6.1.4	1,214	1,210
Product research and development		-	42
Other expenses		968	4,836
		369,636	236,269
Opening stock of work-in-process		12,021	10,359
Closing stock of work-in-process		(34,955)	(12,021)
Cost of goods manufactured		346,702	234,607
Opening stock of finished goods		-	114
Closing stock of finished goods		-	-
		346,702	234,721

## Notes to the Consolidated Financial Statements

	Note	2013 (Rupees in thousand)	2012
<b>29.5 Cost of goods sold - Paper and board mill</b>			
Opening stock of raw material and packing material		24,252	42,412
Purchases		217,520	246,858
Closing stock of raw material and packing material		(17,515)	(24,252)
Raw material and packing material consumed		224,257	265,018
Stores and spares consumed		16,351	20,742
Salaries and wages		43,202	43,401
Fuel and power		120,023	126,514
Repair and maintenance		5,272	3,789
Traveling and conveyance		567	
Rent rates and taxes		1,359	196
Insurance		1,125	1,338
Depreciation on property, plant and equipment	6.1.4	12,932	12,815
Legal and professional expenses		20	213
Other manufacturing expenses		543	628
Cost of goods manufactured		425,651	474,654
Opening stock of work-in-process		191	-
Closing stock of work-in-process		(223)	(191)
Cost of goods manufactured		425,619	474,463
Opening stock of finished goods		9,214	6,688
Closing stock of finished goods		(2,095)	(9,214)
		432,738	471,937
<b>30 Administrative expenses</b>			
Salaries and other benefits	30.1	56,916	81,908
Electricity and gas		548	381
Repairs and maintenance		1,112	971
Rent, rates and taxes		15,572	1,754
Traveling and conveyance		3,044	3,034
Entertainment		1,934	1,990
Insurance		11,353	640
Staff training		32	15
Postage and telephone		539	499
Printing and stationery		1,369	1,344
Legal and professional charges	30.2	24,472	14,931
Donations	30.3	11,864	
Computer expenses		1,396	882
Directors' fee		260	370
Subscription		21	67

	Note	2013 (Rupees in thousand)	2012
Depreciation on property, plant and equipment	6.1.4	25,242	23,162
Depreciation on investment property	7.1	729	750
Other expenses		1,051	4,047
		<b>157,454</b>	<b>137,575</b>

**30.1** Salaries and other benefits include Rs. 1.2 million (2012: Rs. 2.26 million) and Rs. 1.27 million (2012: Rs. 4.35 million) in respect of defined benefit schemes and defined contribution schemes respectively.

**30.2** Legal and professional charges include the following in respect of auditors' remuneration :

Audit fees of parent Company		1,377	800
Audit fees of subsidiary Companies		2,248	1,255
Half yearly review		542	450
Certification fee		-	83
Out of pocket expenses		331	400
		<b>4,498</b>	<b>2,988</b>

**30.3** This includes an amount of Rs. Nil (2012: 0.18 million) donated to Institute of Islamic Culture for Mr. Shahid Ali (Chief Executive of the Holding Company).

### 31 Distribution cost

Salaries and other benefits	31.1	140,061	134,369
Repair and maintenance		4,889	7,708
Freight, octroi and handling		127,585	102,206
Electricity and gas		607	-
Export commission		25,130	25,170
Advertising		464,908	260,018
Provision for doubtful debt	13.1	7,398	16,739
Provision for doubtful advances	15	-	2,000
Rent, rates and taxes		10,701	5,069
Product development		931	1,281
Traveling and conveyance		36,944	26,513
Entertainment		846	524
Meeting and conferences		148	-
Subscription		17	-
Printing and stationery		1,798	1,471
Postage and telephone		5,298	4,289
Depreciation on property, plant and equipment	6.1.4	8,472	6,426
Computer expenses		-	22
Legal and professional charges		7,872	7,192

## Notes to the Consolidated Financial Statements

	2013	2012
	(Rupees in thousand)	
Bad debts written off	35,000	23,298
Other expenses	8,202	12,599
	<b>886,807</b>	636,894
<b>31.1</b>	Salaries and other benefits include Rs. 1.95 million (2012: Rs. 3 million) and Rs. 1.3 million (2012: Rs. 5.7 million) in respect of defined benefit schemes and defined contribution schemes respectively.	
<b>32 Finance cost</b>		
Mark-up on short term borrowings	99,773	235,499
Mark-up on director loan	8,838	-
Mark-up on participation term certificates	279,805	-
Bank charges	15,675	9,658
	<b>404,091</b>	245,157
<b>33 Other operating expenses</b>		
Loss on disposal of associate	-	7,149
Unrealized loss due to fair value adjustment of investments at fair value through profit and loss	-	8,208
Realised Exchange loss	7,794	4,433
	<b>7,794</b>	19,790

	Note	2013 (Rupees in thousand)	2012
<b>34 Other income</b>			
<b>Income from financial assets</b>			
Profit on bank deposits		15,946	11,948
Profit on disposal of long term investments		40	11,014
Interest income from Loads Limited		4,099	-
Unrealised gain on short term investments at fair value through profit or loss		140,103	4,734
Realized gain on disposal of short term investments at fair value through profit or loss		42,331	4,174
Dividend from short term investments		28,521	30,511
Dividend from long term investments		2,102	4,363
		<b>233,142</b>	<b>66,744</b>
<b>Income from non-financial assets</b>			
Profit on disposal of property, plant and equipment		15,161	6,167
Rental income from investment property		5,590	11,578
Profit on disposal of investment property		13,650	-
Scrap sale		22,945	22,003
Export rebate		26,948	13,317
Unrealised exchange gain		1,419	1,282
Reversal of provision for doubtful debts	13.1	10,179	-
Others	34.1	4,884	4,767
		<b>100,776</b>	<b>59,114</b>
		<b>333,918</b>	<b>125,858</b>

**34.1** This includes Rs. 0.1 million (2012: Rs. 0.272 million) in respect of unclaimed dividend.

### 35 Taxation

Current			
- For the year		26,211	88,782
- For prior years		(10,226)	(22,182)
Deferred			
- For the year		(16,374)	(402)
		<b>(389)</b>	<b>66,198</b>

## Notes to the Consolidated Financial Statements

## 36 Remuneration of chief executive, directors and executives

The aggregate amount charged in the consolidated financial statements for the year for remuneration, including certain benefits, to the Chief Executive, Executive Directors, Non-Executive Directors and Executives of the group is as follows:

	Chief Executive		Executive Directors		Non-executive Directors		Executives	
	2013	2012	2013	2012	2013	2012	2013	2012
	----- (Rupees in thousand) -----							
Managerial remuneration	16,364	16,364	5,467	15,276	-	-	101,418	96,080
Provident fund	-	-	547	679	-	-	6,205	3,573
Service fund	-	-	547	679	-	-	6,062	3,573
Housing fund	-	-	-	423	-	-	3,099	1,815
Bonus	-	-	9,321	4,826	-	-	57,398	22,652
Entertainment	-	52	-	-	-	-	-	-
Utilities	1,636	1,636	547	679	-	-	4,986	3,785
Medical	924	1,744	547	679	-	-	6,622	3,785
Fees	-	-	-	-	260	370	-	-
	18,924	19,796	16,976	23,241	260	370	185,790	135,263
Number of persons	1	1	2	1	5	5	131	42

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

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

	2013	2012
- As at 30 June	15,176	15,269
- Average number of employees	15,241	14,546



**37 Transactions with related parties**

The related parties comprise subsidiaries, associated undertakings, other related group companies, directors of the group, key management personnel and post employment benefit plans. The group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under respective notes and remuneration of directors and key management personnel are disclosed in note 36. Other significant transactions with related parties are as follows:

Relationship with the group	Nature of transactions	2013	2012
		(Rupees in thousand)	
<b>I</b>	<b>Associated undertakings</b>		
	Load Limited		
	Purchase of goods	-	4,515
	Markup paid	-	860
	Markup received	5,709	996
	Packages Limited		
	Purchase of goods	135,272	148,483
	Sale of goods	152	1,048
	ZIL Limited		
	Purchase of goods	261	642
	IGI Insurance Limited		
	Purchase of services	33,148	10,754
	Bulleh Shah Packaging (Private) Limited		
	Purchase of goods	6,257	-
	Cutting Edge (Private ) Limited		
	Purchase of services	2,574	2,574
<b>II</b>	<b>Post employment benefit plans</b>		
	Superannuation fund		
	Contribution	14,750	14,750
	Gratuity fund		
	Contribution	16,793	16,793
	Provident fund		
	Contribution	19,996	13,945
	Service fund		
	Contribution	8,390	7,556
	Housing fund		
	Contribution	3,942	3,387
	Benevolent Fund		
	Contribution	48	-

## Notes to the Consolidated Financial Statements

### 38 Financial instruments

The group has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Board of Directors has overall responsibility for the establishment of group's risk management framework. The Board is also responsible for developing and monitoring the group's risk management policies.

#### 38.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted and arises principally from trade receivables.

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Exports sales are either secured through letter of credit or a foreign bank guarantee is obtained.

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The Group's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

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

#### (i) Exposure to credit risk

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:

	2013	2012
	(Rupees in thousand)	
Long term investment	214,920	196,584
Long term loans	15,538	57,072
Long term deposits	24,440	16,305
Trade debts	471,524	498,659
Short term investments	540,381	398,491
Loans, advances, deposits, prepayments and other receivables	31,700	40,096
Bank balance	319,207	577,557
	<b>1,617,710</b>	<b>1,784,764</b>

All the trade debtors at the balance sheet date represent domestic and foreign parties.

The maximum exposure to credit risk before any enhancements for trade debts at the reporting date by type of customer was:

	2013	2012
	(Rupees in thousand)	
- Local parties	401,029	423,456
- Foreign parties	70,495	75,203
	<b>471,524</b>	<b>498,659</b>
The aging of trade debts at the reporting date is:		
Less than 30 days	301,412	229,209
Past due 1 - 3 months	93,786	81,868
Past due 3 - 6 months	5,248	21,982
Past due 6 - 9 months	611	52,040
Above one year	70,467	111,560
	<b>471,524</b>	<b>496,659</b>

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

**(ii) Credit quality of major financial assets**

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate:

## Notes to the Consolidated Financial Statements

Banks	Rating		Rating Agency	2013	2012
	Short term	Long term			
				(Rupees in thousand)	
NIB Bank Limited	A1+	AA-	PACRA	3,380	19,125
Faysal Bank Limited	A-1+	AA		27,878	105,947
United Bank Limited	A-1+	AA+	JCR-VIS	131,168	5,180
BankIslami Pakistan Limited	A1	A	PACRA	3,212	586
Habib Bank Limited	A-1+	AA+	JCR-VIS	6,730	7,885
MCB Bank Limited	A1+	AA	PACRA	31,615	46
Askari Commercial Bank Limited	A1+	AA	PACRA	93	-
Citibank N.A.	A-1	A+	Standard & Poor's	-	612
National Bank of Pakistan	A-1+	AAA	JCR-VIS	818	3,447
Bank of Punjab	A-1+	AA-	PACRA	-	5,374
HSBC Bank Middle East Limited	P-1	A-1	Moody's	-	2,857
MCB Bank Limited	A1+	AA+	PACRA	14,948	84,599
Silk Bank Limited	A-2	A-	JCR-VIS	74	10,000
Burj Bank Limited	A-1	A-	JCR-VIS	-	4
Dubai Islamic Bank	A-1	A	JCR-VIS	97,226	257,414
KASB Bank Limited	A-2	A-	PACRA	3	15,141
Barclays Bank PLC	A-1+	AA-	Standard & Poor's	209	58,391
Bank Alfalah Limited	A1+	AA	PACRA & JCR	1,844	764
Samba Bank Limited	A-1	A+	JCR-VIS	5	185
Standard Chartered Bank	A1+	AAA	PACRA	4	-
				<b>319,207</b>	<b>577,557</b>

**38.2 Liquidity risk**

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

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

	2013				
	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
	(Rupees in thousand)				
<b>Financial liabilities</b>					
Trade and other payables	561,786	561,786	561,786	-	-
Long term deposits	4,041	4,041	-	4,041	-
Short term borrowings	576,180	576,180	576,180	-	-
Redeemable capital	1,075,251	43,913	6,273	31,367	6,273,337
Current portion of non-current liabilities	179,417	179,417	179,409	-	-
Accrued mark-up	293,514	293,514	293,514	-	-
	<b>2,690,189</b>	<b>1,658,851</b>	<b>1,617,162</b>	<b>35,408</b>	<b>6,273,337</b>

	2012				
	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
	(Rupees in thousand)				
<b>Financial liabilities</b>					
Trade and other payables	655,874	655,874	655,874	-	-
Long term deposits	2,489	2,489	-	2,489	-
Short term borrowings	1,690,116	1,690,116	1,690,116	-	-
Loan from director	350,000	350,000	350,000	-	-
Accrued mark-up	49,000	49,000	49,000	-	-
	<b>2,747,479</b>	<b>2,747,479</b>	<b>2,744,990</b>	<b>2,489</b>	<b>-</b>

### 38.3 Market risk

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

### 38.4 Currency risk

The Group is exposed to currency risk on import of raw materials and stores and spares and export of goods mainly denominated in US dollars and on foreign currency bank accounts. The Group's exposure to foreign currency risk for US Dollars and Euros is as follows:

## Notes to the Consolidated Financial Statements

	2013	2012
	(Rupees in thousand)	
Outstanding letters of credit (US dollars)	488,007	502,283
Outstanding letters of credit (Euros)	20,171	-

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2013	2012	2013	2012
Rupees per USD	97.26	90.53	98.60	94.20
Rupees per Euro	123.68	121.37	129.25	118.50

At reporting date, if the Pakistani Rupees has fluctuated by 10% against the US Dollar with all other variables held constant, post-tax profit would have been higher/ lower by Rs. 7.298 million (2012: Rs. 6.225 million), mainly as a result of net foreign exchange gain/ loss on translation of foreign exchange denominated financial instruments.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / (loss) for the year and assets / liabilities of the Group.

### 38.5 Interest rate risk

At the reporting date the interest rate profile of the Group's significant interest bearing financial instruments were as follows:

	2013	2012	2013	2012
	Effective rate (Percentage)		(Rupees in thousand)	
<b>Financial assets</b>				
<i><b>Fixed rate instruments</b></i>				
Bank balances - deposit accounts	6 - 8.25	5 - 12	265,480	548,299
<b>Financial liabilities</b>				
<i><b>Floating rate instrument</b></i>				
Short term borrowings	8.70 - 13.64	12.48 - 15.06	576,180	1,690,116

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

**Cash flow sensitivity analysis for variable rate instruments.**

If interest rates on short term borrowings, at the year end rate, fluctuate by 1% higher/ lower with all the other variables held constant, profit after taxation for the year would have been Rs 6.549 million (2012: Rs 11.336 million) higher/ lower, mainly as a result of higher/ lower interest expense on floating rate borrowings.

**38.6 Other price risk**

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

A 10% increase in redemption and share prices at the year end would have increased the Group's profit in case of held for trading investments and increase / decrease surplus on re-measurement of investments in case of 'available for sale' investment as follows:

	2013	2012
	(Rupees in thousand)	
Effect on profit and loss	(54,038)	(39,849)
Effect on equity	(2,745)	(2,886)
Effect on investments	(56,783)	(42,735)

The sensitivity analysis prepared is not necessarily indicative of the effects on loss / equity and assets of the Group.

**Fair value of financial instruments**

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in arm's length transaction.

**38.6.1 Fair value of financial instruments**

The carrying value of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments carried at fair value are categorized as follows:

- Level 1: Quoted market prices
- Level 2: Valuation techniques (market observable)
- Level 3: Valuation techniques (non-market observable)

## Notes to the Consolidated Financial Statements

	2013			Total
	Level 1	Level 2	Level 3	
	(Rupees in thousand)			
<b>Assets</b>				
Short term investments at fair value through profit or loss	540,381	-	-	540,381
Long term investments available for sale	12,497	-	14,952	27,449
	<b>552,878</b>	<b>-</b>	<b>14,952</b>	<b>567,830</b>

	2012			Total
	Level 1	Level 2	Level 3	
	(Rupees in thousand)			
<b>Assets</b>				
Short term investments at fair value through profit or loss	398,491	-	-	398,491
Long term investments available for sale	13,911	-	14,952	28,863
	<b>412,402</b>	<b>-</b>	<b>14,952</b>	<b>427,354</b>

**38.7 Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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 Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group'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 Group. This responsibility is supported by the development of overall Group 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
- Risk mitigation, including insurance where this is effective



## 38.8 Financial instruments by categories

	Available for sale		At fair value through profit and loss	
	2013	2012	2013	2012
	(Rupees in thousand)			
<b>Financial assets as per balance sheet</b>				
Long term investments	27,449	28,863	-	-
Long term loans	-	-	-	-
Long term deposits				
Trade debts	-	-	-	-
Short term investments	-	-	540,381	398,491
Loans, advances, deposits, prepayments and other receivables	-	-	-	-
Bank balances	-	-	-	-
	<b>27,449</b>	<b>28,863</b>	<b>540,381</b>	<b>398,491</b>
	Loans and receivables		Investment at cost	
	2013	2012	2013	2012
	(Rupees in thousand)			
Long term investments	-	-	187,471	167,721
Long term loans	15,538	57,072	-	-
Long term deposits	24,440	16,305		
Trade debts	471,524	496,659	-	-
Short term investments	-	-	-	-
Loans, advances, deposits, prepayments and other receivables	31,700	40,096	-	-
Bank balances	319,207	577,557	-	-
	<b>862,409</b>	<b>1,187,689</b>	<b>187,471</b>	<b>167,721</b>
			Total	
			2013	2012
			(Rupees in thousand)	
Long term investments			214,920	196,584
Long term loans			15,538	57,072
Long term deposits			24,440	16,305
Trade debts			471,524	496,659
Short term investments			540,381	398,491
Loans, advances, deposits, prepayments and other receivables			31,700	40,096
Bank balances			319,207	577,557
			<b>1,617,710</b>	<b>1,782,764</b>

## Notes to the Consolidated Financial Statements

	Other financial liabilities	
	2013	2012
<b>Financial liabilities as per balance sheet</b>		
Trade and other payables	561,786	655,874
Long term deposit	4,041	2,489
Redeemable capital	1,075,251	-
Short term borrowings	576,180	1,690,116
Loan from director	-	350,000
Accrued mark-up	293,514	49,000
	<b>2,510,772</b>	<b>2,747,479</b>

**38.9 Capital risk 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 our business. The Board of Directors monitors the return on capital employed, which the Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

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

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The Group monitors capital on the basis of the debt-to-equity ratio of total debt to equity.

The debt-to-equity ratios as at 30 June 2013 and at 30 June 2012 were as follows:

	Note	2013 (Rupees in thousand)	2012
Total debt		1,830,848	1,690,116
Total equity and debt		3,979,531	3,704,537
Debt-to-equity ratio		46%	46%

There were no changes in the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements.

	Note	2013 (Rupees in thousand)	2012
<b>39 Cash generated from operations</b>			
Profit before taxation		225,278	489,777
Adjustments for non-cash and other items:			
Finance cost		404,091	245,157
Depreciation on property, plant and equipment	6.1	136,125	119,021
Depreciation on investment property	7	729	750
Provision for gratuity		18,217	16,793
Provision for superannuation fund scheme		15,498	14,750
Profit on bank deposits		(15,946)	(11,948)
Provision for doubtful debt		(7,398)	18,739
Slow moving raw material stock written off		1,193	2,486
Profit on sale of property, plant and equipment		(15,161)	(6,167)
Profit on sale of investment property		(13,650)	-
Profit on disposal of long term investments		(40)	(11,014)
Loss on disposal of associate		-	7,149
Provision for WPPF and WWF		17,675	25,419
Unrealized gain on investment at fair value through profit or loss		(140,103)	(4,734)
		401,230	416,401
<b>Cash generated from operations</b>			
Transfer to profit and loss account on sale of available for sale long term investments		(1,419)	(1,282)
Unrealized exchange gain		(31,147)	(11,216)
Share of profit from associate		(30,623)	(34,874)
Dividend income		(63,189)	(47,372)
<b>Operating profit before working capital changes</b>		563,319	858,806
Decrease / (increase) in current assets			
Stores and spares		27,245	(43,875)
Stock-in-trade		18,391	(168,007)
Trade debtors		35,952	(121,452)
Short term investment		(1,787)	6,142
Loans, advances, deposits, prepayments and other receivables		41,621	59,290
		121,422	(267,902)
Increase / (decrease) in current liabilities			
Trade and other payables		(142,454)	120,314
		542,287	711,218
<b>40 Cash and cash equivalent</b>			
Cash and bank balances	16	338,025	589,921
Short term running finance - secured	18.1	(38,595)	(591,266)
		299,430	(1,345)

## Notes to the Consolidated Financial Statements

### 41 Operating Segments

#### 41.1 Geographical Information

Significant sales are made by the group in the following countries:

	2013	2012
	(Rupees in thousand)	
Pakistan	4,494,323	4,523,725
Iran	5,324	142,287
Saudi Arabia	243,978	221,438
China	145,473	151,327
Bangladesh	186,342	163,559
Jordan	116,593	89,480
Brazil	65,403	38,874
Yemen	52,169	69,232
Morocco	-	16,177
Angola	17,069	36,357
United Arab Emirates	35,966	140,501
Taiwan	18,216	19,742
Vietnam	-	12,338
Egypt	37,509	16,821
Other countries	535,503	73,416
	<b>5,953,868</b>	<b>5,715,274</b>

Sales are attributed to countries on the basis of the customers' location.

#### 41.2 Business segments

As at 30 June 2013 the Group is engaged into following main business segments:

- (i) Manufacture and sale of blades;
- (ii) Manufacture and sale of soaps;
- (iii) Manufacture and sale of packing material;
- (iv) Assembling and sale of motor bikes; and
- (v) Manufacture and sale of paper and board.

Note	Blades		Soaps		Packaging solutions		Bike		Paper & board		Total
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	
Sales	3,817,071	3,643,157	861,673	977,284	1,519,482	1,426,429	413,874	304,293	168,692	266,624	6,780,792
Less: Sales tax	328,811	336,180	143,310	162,175	207,575	191,410	57,678	42,032	22,543	35,322	759,917
Trade discount	63,125	133,677	-	75	159	809	3,303	833	420	-	67,007
	3,919,936	469,857	143,310	162,250	207,734	192,219	60,981	42,865	22,963	35,322	826,924
	3,425,135	3,173,300	718,363	815,034	1,311,748	1,234,210	352,893	261,428	145,729	231,302	5,953,868
Net sales	3,425,135	3,173,300	718,363	815,034	1,311,748	1,234,210	352,893	261,428	145,729	231,302	5,953,868
Cost of sales	2,340,603	2,085,454	625,531	665,657	874,260	839,967	346,702	234,721	432,738	471,937	4,619,834
Gross profit	1,084,532	1,087,846	92,832	149,377	437,488	394,243	6,191	26,707	(287,009)	(240,635)	1,334,034
Inter company / inter segment - net sales	-	-	-	-	69,748	68,961	-	-	354,424	316,789	424,172
Inter company / inter segment - purchases	(4,377)	(4,414)	(11,318)	(3,821)	(354,424)	(316,789)	-	-	(54,053)	(60,726)	(424,172)
Gross profit - segment wise	1,080,155	1,083,432	81,514	145,556	152,812	146,415	6,191	26,707	13,362	15,428	1,334,034
Administrative expenses (Note 30)	132,880	118,464	3,207	1,749	12,744	10,012	7,705	6,291	918	1,059	157,454
Distribution cost (Note 31)	691,562	527,130	31,732	941	82,478	76,849	78,620	288,35	2,415	3,139	886,807
Operating profit/segment results	255,713	437,838	46,575	142,866	57,590	59,554	(80,134)	(8,419)	10,029	11,230	289,773
Finance cost (Note 32)											404,091
Other operating expenses (Note 33)											7,794
Other income (Note 34)											333,918
Share of profit of associate											211,806
Workers' profit participation fund (WPPF)											31,147
Workers' welfare fund (WWF)											12,789
Profit before income tax											4,886
Income tax charges											225,278
Profit for the year											11,007
											214,271
41.3 Segment assets	966,139	1,035,537	342,919	352,629	1,071,201	1,008,434	153,677	131,501	230,352	304,137	2,764,288
Unallocated assets											2,918,073
Total Assets											5,682,361
41.4 Segment liabilities	2,573,930	2,215,733	40,498	32,649	64,992	79,355	15,703	106,666	19,494	38,350	2,714,617
Unallocated liabilities											77,344
Total Liabilities											2,791,961

41.3.1 Unallocated assets includes property, plant and equipment, investment property, long term investment, loans, advances, deposits, prepayments and other receivables, short term investments, cash and bank and long term security deposits.

41.4.1 Unallocated liabilities include income tax payable, unclaimed dividend, deferred taxation and long term deposits.

## Notes to the Consolidated Financial Statements

### 42 Earnings per share - basic and diluted

There is no dilutive effect on the basic earnings per share of the group, which is based on:

		2013	2012
Profit for the year after taxation	<i>Rupees in thousand</i>	214,084	420,225
Weighted average number of shares	<i>Number in thousand</i>	41,822	41,822
Earnings per share	<i>Rupees</i>	5.12	10.05

	Note	Production capacity		Actual production	
		2013	2012	2013	2012
<b>43 Plant capacity and production</b>					
Blades - units in millions		1,475	1,275	1,573	1,653
Packaging solutions - in metric tones	43.1	30,000	30,000	22,278	21,699
Bike - in units	43.2	12,000	12,000	11,461	7,661
Paper and board - in metric tones	43.3	15,000	15,000	9,132	10,878
Soap - in metric tones	43.4	5,000	5,000	4,200	4,657

43.1 Drop in production of packing material during the year is mainly due to change in product mix.

43.2 As the bike project has been started recently, the production capacity could not be achieved during the year.

43.3 Under utilization of capacity in Corrugated boxes and sheets and paper and board mill was mainly due to energy crises.

43.4 Under utilization of capacity in soap division was due to decrease in demand of soap.

### 44 Date of authorization for issue

These consolidated financial statements were authorized for issue on October 01, 2013 by the Board of Directors of the Holding Company.

### 45 General

45.1 Corresponding figures have been re-arranged or reclassified wherever necessary, for the purposes of comparison. Significant reclassification for better presentation includes assets amounting to Rs. 9.78 million previously included in non-current asset held for sale now presented under property, plant and equipment and provision for doubtful advance amounting to Rs. 2 million, previously included in trade debtors now presented in loans, advances, deposits, prepayments and other receivables.

45.2 The Board of Directors in their meeting held on 01, October 2013 has proposed a final cash dividend of Rs. 2 per share (2012: Rs. 2 per share) for the year ended 30 June 2013 amounting to Rs. 83.644 million (2012 : Rs. 83.644 milion) for the approval of the members at the annual general meeting to be held on 31 October 2013 . These consolidated financial statments do not reflect this proposed dividend payable.



Syed Shahid Ali  
Chief Executive Officer



Muhammad Shafique Anjum  
Director

# Financial Statements

For the year ended 30 June 2013

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## Auditors' Report to the Members

We have audited the annexed balance sheet of Treet Corporation Limited ("the Company") as at 30 June 2013 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. 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 above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said 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 Company as required by the Companies Ordinance, 1984;
- 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 Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- 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 Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the profit, its comprehensive income, 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 Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore  
Date: October 01, 2013

  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Farid Uddin Ahmed)



## Balance Sheet

	Note	2013 (Rupees in thousand)	2012
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	1,830,971	1,770,319
Investment property	7	-	55,939
Long term investments	8	1,411,477	1,412,891
Long term loans	9	1,701	3,007
Long term deposits	10	10,489	3,966
		<b>3,254,638</b>	<b>3,246,122</b>
<b>Current assets</b>			
Stores and spares	11	121,476	139,277
Stock-in-trade	12	497,139	403,373
Trade debts	13	347,524	492,887
Short term investments	14	506,653	363,470
Loans, advances, deposits, prepayments and other receivables	15	357,660	314,690
Cash and bank balances	16	65,983	129,538
		<b>1,896,435</b>	<b>1,843,235</b>
Non-current assets held for sale	17	88,473	88,473
		<b>1,984,908</b>	<b>1,931,708</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current portion of non-current liabilities	23	179,417	-
Short term borrowings	18	576,180	1,690,116
Loan from director		-	350,000
Trade and other payables	19	449,568	474,278
Accrued mark-up	20	293,514	49,000
Provision for taxation	21	6,578	73,264
		<b>1,505,257</b>	<b>2,636,658</b>
<b>Net current assets / (liabilities)</b>		<b>479,651</b>	<b>(704,950)</b>
<b>Non-current liabilities</b>			
Long term deposits	22	2,381	2,339
Redeemable capital	23	1,075,251	-
Deferred taxation	24	64,593	80,563
		<b>1,142,225</b>	<b>82,902</b>
Contingencies and commitments	25		
		<b>2,592,064</b>	<b>2,458,270</b>
<b>Represented by:</b>			
Authorized capital			
70,000,000 (2012: 70,000,000) ordinary shares of Rs. 10 each		700,000	700,000
10,000,000 (2012: 10,000,000) preference shares of Rs. 10 each		100,000	100,000
		<b>800,000</b>	<b>800,000</b>
Issued, subscribed and paid-up capital	26	418,222	418,222
Reserves	27	277,036	278,368
Unappropriated profit		1,157,296	1,017,016
Shareholders' equity		<b>1,852,554</b>	<b>1,713,606</b>
Surplus on revaluation of property - net of tax	28	739,510	744,664
		<b>2,592,064</b>	<b>2,458,270</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

## Profit and Loss Account

	Note	2013 (Rupees in thousand)	2012
Sales - net	29	3,399,441	2,820,669
Cost of sales	30	2,331,199	2,104,814
<b>Gross profit</b>		<b>1,068,242</b>	715,855
Administrative expenses	31	133,187	88,589
Distribution cost	32	693,827	176,250
		<b>827,014</b>	264,839
<b>Operating profit</b>		<b>241,228</b>	451,016
Finance cost	33	402,664	240,153
Other operating expenses	34	4,617	1,805
		<b>407,281</b>	241,958
Other income	35	397,577	183,506
		<b>231,524</b>	392,564
Workers' profit participation fund (WPPF)		11,576	19,628
Workers' welfare fund (WWF)		4,399	5,007
		<b>15,975</b>	24,635
<b>Profit before taxation</b>		<b>215,549</b>	367,929
Taxation	36	(3,221)	57,941
<b>Profit after taxation</b>		<b>218,770</b>	309,988
Earnings per share - basic and diluted (Rupees)	43	5.23	7.41

The annexed notes 1 to 46 form an integral part of these financial statements.

## Statement of Comprehensive Income

	2013	2012
	(Rupees in thousand)	
Profit after taxation	218,770	309,988
Other comprehensive income - net of taxes		
<i>Items that are or may be subsequently reclassified to profit or loss:</i>		
Unrealized (loss)/ gain on available for sale investments	(1,309)	2,992
<b>Total comprehensive income for the year</b>	<b>217,461</b>	<b>312,980</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

## Cash Flow Statement

	Note	2013 (Rupees in thousand)	2012
<b>Cash generated from operations</b>	41	<b>471,829</b>	813,316
Finance cost paid		(158,150)	(233,463)
Taxes paid		(90,491)	(60,035)
WPPF and WWF paid		(20,007)	(42,307)
Payment to gratuity fund		(18,217)	(9,463)
Payment to superannuation fund		(15,498)	(10,250)
		<b>(302,363)</b>	(355,518)
<b>Net cash generated from operating activities</b>		<b>169,466</b>	457,798
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(187,725)	(209,707)
Proceeds from sale of property, plant and equipment		36,292	153,193
Proceeds from sale of investment property		68,859	-
Long term investments		123	(559,269)
Long term loans and deposits		(5,217)	1,480
Interest received		5,031	4,902
Dividend received		145,444	76,431
<b>Net cash generated from/(used in) investing activities</b>		<b>62,807</b>	(532,970)
<b>Cash flows from financing activities</b>			
Long term deposits		42	(2)
Loan from director		(350,000)	350,000
Short term borrowings		(561,265)	61,212
Proceeds from participation term certificates		1,254,668	-
Dividend paid		(86,602)	(36,538)
<b>Net cash generated from financing activities</b>		<b>256,843</b>	374,672
<b>Net increase in cash and cash equivalents</b>		<b>489,116</b>	299,500
<b>Cash and cash equivalents at the beginning of year</b>		<b>(461,728)</b>	(761,228)
<b>Cash and cash equivalents at the end of year</b>	42	<b>27,388</b>	(461,728)

The annexed notes 1 to 46 form an integral part of these financial statements.

## Statement of Changes in Equity

	Share Capital	Capital Reserve	General Reserve	Fair value Reserve	Un- appropriated Profit	Total
------(Rupees in thousand)-----						
<b>Balance as at 01 July 2011</b>	418,222	8,949	266,400	39,078	735,130	1,467,779
Incremental depreciation relating to surplus on revaluation of property - net of tax	-	-	-	-	5,991	5,991
Surplus on revaluation of property, plant and equipment realised through disposal	-	-	-	-	7,729	7,729
Realised gain on disposal of available for sale investments transferred to profit and loss	-	-	-	(39,051)	-	(39,051)
Final dividend @ 10 % for the year ended 30 June 2011	-	-	-	-	(41,822)	(41,822)
Total comprehensive income for the year	-	-	-	2,992	309,988	312,980
<b>Balance as at 30 June 2012</b>	418,222	8,949	266,400	3,019	1,017,016	1,713,606
Incremental depreciation relating to surplus on revaluation of property - net of tax	-	-	-	-	5,154	5,154
Realised gain on disposal of available for sale investments transferred to profit and loss	-	-	-	(23)	-	(23)
Final dividend @ 20 % for the year ended 30 June 2012	-	-	-	-	(83,644)	(83,644)
Total comprehensive income for the year	-	-	-	(1,309)	218,770	217,461
<b>Balance as at 30 June 2013</b>	<b>418,222</b>	<b>8,949</b>	<b>266,400</b>	<b>1,687</b>	<b>1,157,296</b>	<b>1,852,554</b>

The annexed notes 1 to 46 form an integral part of these financial statements.




## Notes to the Financial Statements

### 1 Status and nature of the business

Treet Corporation Limited ("the Company") was incorporated in Pakistan on 22 January 1977 as a Public Limited Company under the Company's Act, 1913. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is manufacturing and sale of razors and razor blades along with sale of soaps. The registered office of the Company is situated at 72-B, Industrial Area Kot Lakhpat, Lahore.

### 2 Basis of preparation

#### 2.1 Separate financial statements

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

The Company has the following long term investments:

	2013	2012
	(Holding percentage)	
<b>Name of Company</b>		
<b>Subsidiaries</b>		
- Global Econo Trade (Private) Limited	100	100
- First Treet Manufacturing Modaraba Limited	89.8	89.8
<b>Associates</b>		
- Loads Limited		

#### 2.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Standard Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

#### 2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments classified as investment at fair value through profit or loss and available for sale which are stated at fair value and obligations in respect of superannuation and gratuity schemes which are measured at present value, while land and buildings are stated at revalued amounts. In these financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

## 2.4 Functional and presentation currency

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

## 3 Use of estimates and judgments

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

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

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

	Note
- Retirement and other benefits	5.1
- Taxation	5.2
- Residual values and useful lives of depreciable assets	5.3
- Provisions	5.17
- Contingent liabilities	5.21

## 4 New and revised approved accounting standards, interpretations and amendments thereto

### New standards, amendments to approved accounting standards and interpretations which became effective during the year ended 30 June 2013

There were certain new standards and amendments to the approved accounting standards which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements except for the amendment to IAS 1 'Presentation of financial statements' regarding 'other comprehensive income'.

The primary change resulting from this amendment is that the Company has grouped items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustment).

Had there been no change in the aforementioned accounting, there would not have been any bifurcation of items appearing in the 'other comprehensive income'.

## Notes to the Financial Statements

### New standards, amendments to approved accounting standards and interpretations that are not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) – (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains / losses amounting to Rs. 65.889 million at 30 June 2013 would need to be recognized in other comprehensive income.
- IAS 27 Separate Financial Statements (2011) – (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 – Consolidated Financial Statements, IFRS 11– Joint Arrangements and IFRS 12– Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- IAS 28 Investments in Associates and Joint Ventures (2011) – (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position. The amendments have no impact on financial statements of the Company.



- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on financial statements of the Company.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.
- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

## Notes to the Financial Statements

### 5 Summary of significant accounting policies

#### 5.1 Employee retirement benefits

##### Defined contribution plans

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 Company and employees in accordance with the rules of the scheme at 10% of the basic pay.

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

##### Defined benefit plans

An approved funded gratuity scheme and a funded superannuation scheme are also 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. According to the policy, provisions are made annually to cover the obligation on the basis of actuarial valuation using Projected Unit Credit Method and are charged to income currently, related details of which are given in note 19.5 to the financial statements.

Actuarial gains/ losses are recorded based on actuarial valuation that is carried out annually. A portion of accumulated actuarial gains/ losses is recognised in profit and loss account to the extent that net cumulative unrecognised actuarial gains/ losses at the end of previous period exceeded the greater of:

- (i) 10% of the present value of the defined benefit obligation (before deducting plan assets); and
- (ii) 10% of the fair value of any plan assets.

These limits shall be calculated and applied separately for each defined benefit plan.

#### 5.2 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

##### Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account available tax credits and tax rebates. The charge for current tax includes adjustments to charge for prior years, if any.

**Deferred**

Deferred tax is recognised for using the balance sheet liability method, on all major temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

**5.3 Property, plant and equipment****Cost**

These are carried at cost except for land and buildings, which are stated at revalued amount. However, land and buildings which were purchased subsequent to last revaluation date are carried at cost.

**Gain/ (loss) on disposal**

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

**Capitalization threshold**

Following are the minimum threshold limits for capitalization of individual items:

Particulars	Rupees
Building on free hold land	50,000
Plant and machinery	10,000
Office equipments	8,000
Furniture and fixture	10,000
Others	10,000

## Notes to the Financial Statements

### Incremental depreciation

Incremental depreciation charged for the period on revalued assets is transferred from surplus on revaluation of fixed assets to retained earnings during the year.

### Method of depreciation

Depreciation on fixed assets other than freehold land is charged on straight-line basis, whereby the cost of assets is written off over their useful life. The rates of depreciation are specified in note 6.1.

Depreciation on additions is charged from the day on which an asset is available for use till the day the asset is fully depreciated or disposed off.

Residual values and useful lives are reviewed at each balance sheet date and adjusted if the impact on depreciation is significant.

Assets, which have been fully depreciated, are retained in the books at a nominal value of Rupee 1.

### Subsequent costs

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

#### **5.4 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.

#### **5.5 Investment property**

Property not held for own use or for the sale in the ordinary course of business is classified as investment property. The investment property of the Company comprises of land and buildings and are valued using the cost method and are stated at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on investment property other than freehold land is charged to profit and loss account on straight-line method so as to write off the depreciable amount of building over its estimated useful life at the rate of 5 per cent per annum. Depreciation on additions is charged from the day the property becomes available for use till the day the property is fully depreciated or disposed off.

The property's residual values, depreciation method and useful life are reviewed at each balance sheet date and adjusted if the impact on depreciation is significant.

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

## 5.6 Investments

### Investment in subsidiaries

Investments in subsidiaries are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the profit and loss account.

### Investments available for sale

Investments classified as investments available for sale are initially recognised at cost, being the fair value of consideration given. At subsequent dates, these investments are re-measured at fair values (quoted market price), unless fair value cannot be measured. The investment for which quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology.

All purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

Unrealized gains and losses arising from changes in fair values are directly recognized in equity in the period in which these arise. Cumulative gains and losses arising from changes in fair value are included in net profit or loss for the period in which an investment is derecognized.

### Held to maturity investments

Investments with a fixed maturity that the Company has the intent and ability to hold to maturity are classified as held-to-maturity investments. These are initially recognized on trade date at cost and derecognized by the Company on the date it commits to sell them off. At each balance sheet date held-to-maturity investments are stated at amortized cost using the effective interest rate method.

### Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of generating profits from short term fluctuations in price or dealer margin are classified as "Investments at fair value through profit or loss account". These are initially recognized on trade date at cost and derecognized by the Company on the date it commits to sell them off. At each balance sheet date, fair value is determined on the basis of year-end bid prices obtained from stock exchange quotations. Any resultant increase/ (decrease) in fair value is recognized in the profit and loss account for the year.

Investments are treated as current assets where the intention is to hold these for less than twelve months from the balance sheet date, otherwise investments are treated as long-term assets.

## Notes to the Financial Statements

### 5.7 Impairment of assets

The Company assesses at each balance sheet date, whether there is any indication that asset may be impaired. If such an indication exists, the carrying amount of such assets is reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed their respective recoverable amounts, assets are written down to their recoverable amount and resulting impairment loss is recognised in income currently. The recoverable amount is higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. A reversal of the impairment loss is recognized in income.

### 5.8 Stores and spares

These are valued at the lower of moving average cost and net realizable value except for items in transit, which are valued at invoice price and related expenses incurred upto the balance sheet date. Adequate provision is made for slow moving items. The company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools.

### 5.9 Stock-in-trade

Stock of raw materials, packing materials, work-in-process and finished goods is 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 costs to complete and to make the sale.

### 5.10 Trade debts

Trade debts are carried at original invoice amount less an allowance for doubtful debts based on a review of all outstanding amounts at the year end. Balances considered bad and irrecoverable are written off as and when identified.

### 5.11 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pakistani Rupees, at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the foreign exchange rates at the balance sheet date. Foreign exchange gains and losses are taken to the profit and loss account.

## 5.12 Revenue recognition

- (i) Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Revenue from sale of goods is recognised when the significant risk and rewards of ownership of the goods are transferred to the buyer i.e. on the dispatch of goods to the customers.

- (ii) Interest / mark-up is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.
- (iii) Dividend income is recognized when the right to receive payment is established.
- (iv) Return on bank deposits, investments and interest on loans is accounted for on a time proportionate basis using the applicable rate of return/ interest.
- (v) Other revenues are recorded on accrual basis.

## 5.13 Borrowing cost

Borrowing costs are interest or other costs incurred by the Company in connection with the borrowing of funds. Borrowing cost that is directly attributable to qualifying assets is capitalized as part of cost of that asset.

## 5.14 Financial instruments

- (i) Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.
- (ii) Financial assets are de-recognised when the Company loses control of the contractual rights that comprise the financial asset.
- (iii) Financial liabilities are de-recognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired.
- (iv) The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.
- (v) Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

## Notes to the Financial Statements

### 5.15 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 of cash in hand, current and deposit account balances with banks and outstanding balance of running finance facilities availed by the Company.

### 5.16 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

### 5.17 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

### 5.18 Research and development costs

Research and development costs are charged to income as and when incurred.

### 5.19 Group Employees Housing Fund

An unrecognized contributory fund scheme namely, "Treet Corporation Limited - Group Employees Housing Fund Scheme" ("the Scheme") is in operation covering permanent management employees with minimum five years of service with the Company. Equal contributions are made monthly both by the Company and employees in accordance with the rules of the Scheme at 20% of the basic pay.

### 5.20 Dividends

Dividend distribution to the shareholders is recognised as a liability in the period in which the dividends are approved.

### 5.21 Contingent liabilities

A contingent liability is disclosed when:

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



	Note	2013 (Rupees in thousand)	2012
<b>6 Property, plant and equipment</b>			
Operating fixed assets	6.1	1,508,963	1,491,383
Transfer to non-current assets held for sale	17	(6,488)	(6,488)
		<b>1,502,475</b>	1,484,895
Capital work-in-progress	6.2	328,496	285,424
		<b>1,830,971</b>	1,770,319

### 6.1 Property, plant and equipment

	Annual rate of depreciation %	Cost as at 01 July 2012	Additions/ (Deletions)	Cost as at 30 June 2013	Accumulated depreciation as at 01 July 2012	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2013	Book value as at 30 June 2013
(Rupees in thousand)								
<b>Owned</b>								
Freehold land	-	786,203	-	786,203	-	-	-	786,203
Building	5	443,293	13,635 (12,738)	444,190	121,917	22,447 (3,806)	140,558	303,632
Plant	10	756,695	77,089 (982)	832,802	485,994	48,290 (751)	533,533	299,269
Furniture and equipment	10 - 25	44,374	2,594 (1,291)	45,677	30,483	3,273 (667)	33,089	12,588
Vehicles	20	154,806	51,335 (29,132)	177,009	55,594	31,932 (17,788)	69,738	107,271
<b>2013</b>		<b>2,185,371</b>	<b>144,653 (44,143)</b>	<b>2,285,881</b>	<b>693,988</b>	<b>105,942 (23,012)</b>	<b>776,918</b>	<b>1,508,963</b>

	Annual rate of depreciation %	Cost as at 01 July 2011	Additions/ (Deletions)	Cost as at 30 June 2012	Accumulated depreciation as at 01 July 2011	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2012	Book value as at 30 June 2012
(Rupees in thousand)								
<b>Owned</b>								
Freehold land	-	923,014	-	786,203	-	-	-	786,203
Building	5	442,216	1,077 (136,811)	443,293	100,917	21,000 -	121,917	321,376
Plant	10	715,805	41,388 (498)	756,695	443,797	42,434 (237)	485,994	270,701
Furniture and equipment	10 - 25	41,407	3,104 (137)	44,374	27,228	3,330 (75)	30,483	13,891
Vehicles	20	108,971	69,659 (23,824)	154,806	46,925	22,601 (13,932)	55,594	99,212
<b>2012</b>		<b>2,231,413</b>	<b>115,228 (161,270)</b>	<b>2,185,371</b>	<b>618,867</b>	<b>89,365 (14,244)</b>	<b>693,988</b>	<b>1,491,383</b>

## Notes to the Financial Statements

**6.1.1** Land and buildings were first revalued on 17 November 2003 by an independent valuer M/s Indus Surveyors (Member of Insurance Surveyors Association of Pakistan). Land was revalued on the basis of current market value and buildings have been revalued on the basis of replacement value. Subsequently, land and buildings were revalued on 30 June 2009 by BFA (Private) Limited (Member of Insurance Surveyors Association of Pakistan) resulting in surplus of Rs. 642.57 million.

**6.1.2** Had there been no revaluation, the net book value of specific classes of operating fixed assets would have amounted to:

	2013	2012
	(Rupees in thousand)	
Land	118,421	118,421
Buildings	192,398	202,214
	<b>310,819</b>	<b>320,635</b>

**6.1.3** The following assets were disposed off during the year :

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit	Mode of disposal	Sold to
----- (Rupees in thousand) -----							
<b>Vehicles</b>							
Suzuki Mehran LEC-07-379 Motor cycle	350	293	57	350	293	Company scheme	Nadeem Afzal
LEA-10-1328 Toyota Corolla	66	13	53	60	7	Company scheme	Muhammad Samad
GLI LEA-12-1940 Honda City	1,756	148	1,608	2,095	487	Company scheme	Muhammad Tariq Aziz
LZS-8182 Daihatsu Cuore	600	249	351	376	25	Company scheme	Mohammad Yunus Khan
LEE-2770 Honda Civic	474	271	203	474	271	Company scheme	M. Azhar Saeed Butt
LED-09-1947 Suzuki Mehran	1,626	937	689	1,215	526	Company scheme	Javed Aslam
AFU-848 Suzuki Mehran	420	33	387	420	33	Company scheme	Mohammad Ayub
LEA-09-4459 Suzuki Mehran	507	352	155	241	86	Company scheme	Tariq Rasheed
AHS-426 Suzuki Cultus	350	251	99	350	251	Company scheme	Ashfaq Ahmed Abbasi
LEA-07-7183 Suzuki Mehran	682	180	502	350	(152)	Company scheme	Imran Munawar
LZL-292 Motor cycle	350	184	166	350	184	Company scheme	Shafique Ahmed Bhatti
LZA-9823 Motor cycle	90	24	66	90	24	Company scheme	Abdul Rauf Khan
LER-12A-9091 Toyota Prius	97	7	90	97	7	Company scheme	Mohammad Zeeshan
LEA-13-6429	1,850	132	1,718	1,600	(118)	Company scheme	Ayaz Ahmed
	9,218	3,074	6,144	8,068	1,924		

Employees

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit	Mode of disposal	Sold to
----- (Rupees in thousand) -----							
<b>Building</b>							
67/C-III Gulberg, Lahore	12,738	3,806	8,932	11,141	2,209	Negotiation	Mr. Shafique Ahmad
	12,738	3,806	8,932	11,141	2,209		
<b>Plant &amp; Machinery</b>							
Transformer 2000 Kva	597	597	-	925	925	Scrapped	Energy switch gear and services
Inkjet Printer For Kil	385	154	231	165	(66)	Scrapped	Coding Technologies
	982	751	231	1,090	859		
Other assets with book value less than Rs. 50,000	21,205	15,381	5,824	15,993	10,169		
<b>2013</b>	<b>44,143</b>	<b>23,012</b>	<b>21,131</b>	<b>36,292</b>	<b>15,161</b>		
2012	161,270	14,244	147,026	153,193	6,167		

	Note	2013 (Rupees in thousand)	2012
<b>6.1.4</b>	Depreciation charge for the year has been allocated as follows:		
	Cost of goods sold	72,228	59,777
	Administrative expenses	25,242	23,162
	Distribution cost	8,472	6,426
		<b>105,942</b>	89,365
<b>6.2</b>	<b>Capital work-in-progress</b>		
	Building	10,109	13,695
	Plant and machinery	318,387	271,729
		<b>328,496</b>	285,424

## Notes to the Financial Statements

## 7 Investment property

	Annual rate of depreciation	Cost as at 01 July 2012	Additions/ (Deletions)	Cost as at 30 June 2013	Accumulated depreciation as at 01 July 2012	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2013	Book value as at 30 June 2013
	%	----- (Rupees in thousand) -----						
<b>Owned</b>								
Freehold land	-	46,000		-	-	-	-	-
			(46,000)					
Building on freehold land	5	15,000	-	-	5,061	729	-	-
			(15,000)			(5,790)		
<b>2013</b>		<b>61,000</b>	<b>-</b>	<b>-</b>	<b>5,061</b>	<b>729</b>	<b>-</b>	<b>-</b>
			<b>(61,000)</b>			<b>(5,790)</b>		

	Annual rate of depreciation	Cost as at 01 July 2011	Additions/ (Deletions)	Cost as at 30 June 2012	Accumulated depreciation as at 01 July 2011	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2012	Book value as at 30 June 2012
	%	----- (Rupees in thousand) -----						
<b>Owned</b>								
Freehold land	-	46,000	-	46,000	-	-	-	46,000
Building on freehold land	5	15,000	-	15,000	4,311	750	5,061	9,939
<b>2012</b>		<b>61,000</b>	<b>-</b>	<b>61,000</b>	<b>4,311</b>	<b>750</b>	<b>5,061</b>	<b>55,939</b>

7.1 Depreciation charge for the year has been allocated to administrative expenses.

7.2 The approximate market value of investment property as at 30 June 2013 amounts to Rs. Nil (2012: Rs. 90 million).

	Note	2013 (Rupees in thousand)	2012
<b>8 Long term investments</b>			
Subsidiary companies - at cost	8.1	<b>1,221,499</b>	1,221,499
Available for sale investments	8.2	<b>189,978</b>	191,392
		<b>1,411,477</b>	1,412,891
<b>8.1 Subsidiary companies - at cost</b>			
Global Econo Trade (Private) Limited	8.1.1	<b>50,000</b>	50,000
First Treet Manufacturing Modaraba	8.1.2	<b>1,171,499</b>	1,171,499
		<b>1,221,499</b>	1,221,499

8.1.1 It represents 4,999,996 (2012: 4,999,996) ordinary shares of Rs. 10 each in Global Econo Trade (Private) Limited (GET). The Company holds 99.99% (2012: 99.99%) equity shares in GET.

8.1.2 It represents 117,149,871 (2012: 71,855,897) ordinary certificates of Rs. 10 each in First Treet Manufacturing Modaraba (FTMM). The Company holds 89.8% (2012: 89.8%) issued certificates in FTMM.

		Note	2013 (Rupees in thousand)	2012
<b>8.2</b>	<b>Available for sale investments</b>			
	Quoted investments	8.2.1	12,497	13,911
	Unquoted investments	8.2.2	177,481	177,481
			<b>189,978</b>	<b>191,392</b>

	Latest available audited financial statements for the year ended	"Number of ordinary shares of Rs. 10 each"		Cost		Market Value		Percentage of holding		
		2013	2012	2013	2012	2013	2012	2013	2012	
		Number	Number	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)	%	%	
<b>8.2.1</b>	<b>Quoted investments</b>									
	<b>Associated companies</b>									
	ZIL Limited	30 June 2012	500	500	3	3	53	52	0.009	0.009
	Add: Unrealized gain				50	49				
					53	52				
	<b>Others - related party</b>									
	IGI Investment Bank Limited	30 June 2012	6,549,549	6,599,549	10,807	10,889	12,444	13,859	3.09	3.46
	Add: Unrealized gain				1,637	2,970				
					12,444	13,859				
					12,497	13,911	12,497	13,911		

	Note	Latest available audited financial statements for the year ended	Number of ordinary shares of Rs 10 each		Cost		Percentage of holding		
			2013	2012	2013	2012	2013	2012	
			Number	Number	(Rupees in thousand)	(Rupees in thousand)	%	%	
<b>8.2.2</b>	<b>Un-quoted investments</b>								
	Techlogix International Limited	8.2.2.1	31 December 2011	748,879	748,879	8,593	8,593	0.74	0.74
	Less: Provision for impairment					(7,038)	(7,038)		
						1,555	1,555		
	Systems Limited	8.2.2.1	31 December 2012	956,172	956,172	10,150	10,150	2.46	2.46
	Loads Limited	8.2.2.1	30 June 2012	1,249,260	1,249,260	162,529	162,529	20.82	20.82
	Visionet Systems Incorporation	8.2.2.1	31 December 2012	36,891	36,891	3,247	3,247	2.46	2.46
						177,481	177,481		

**8.2.2.1** The breakup value per share as per latest available audited financial statements for Techlogix International Limited, Systems Limited, Loads Limited and Visionet Systems Incorporation is Rs. 4.27 (2012: Rs. 3.58), Rs. 22.26 (2012: Rs. 18.65) and Rs. 165.04 (2012: Rs. 150.52) and Rs. 124.4 (2012: Rs. 97.64) per share respectively.

**8.2.2.2** The ordinary shares of Loads Limited and Systems Limited have par value of Rs. 10 each. The ordinary shares of Techlogix International Limited and Visionet Systems Incorporation have par value of USD 0.00015 and USD 1 respectively.

## Notes to the Financial Statements

	Note	2013 (Rupees in thousand)	2012
<b>9 Long term loans</b>			
Loan to housing fund - unsecured		1,848	3,895
Loans to employees - secured, considered good	9.1	8,895	5,367
Less : current portion			
Loan to housing fund - unsecured	15	(1,848)	(1,992)
Loan to employees - secured, considered good	15	(7,194)	(4,263)
		(9,042)	(6,255)
		1,701	3,007
<b>9.1</b>	These are interest free loans to the Company's employees for construction of house and purchase of cycles, which are repayable in monthly installments over a period of 12 to 24 months and are secured against employee retirement benefits. These include an amount of Rs. 6.209 million (2012: Rs. 2.276 million) receivable from the executives of the Company. There is no amount that is receivable from directors and chief executive of the Company.		
<b>9.2</b>	Reconciliation of the carrying amount of loans to executives:		
Balance as at 01 July		2,276	343
Disbursements		6,916	3,794
Repayments		(2,983)	(1,861)
Balance as at 30 June		6,209	2,276
<b>9.3</b>	The maximum amount due from the executives at the end of any month during the year was Rs. 1.23 million (2012: Rs. 0.95 million).		
<b>10 Long term deposits</b>			
Long term deposits		10,489	3,966
		10,489	3,966
<b>11 Stores and spares</b>			
Stores		12,720	16,817
Spares	11.1	108,756	122,460
		121,476	139,277

11.1 It includes spares in transit amounting to Rs. 5.335 million (2012: Rs. 39.939 million).

11.2 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

	Note	2013 (Rupees in thousand)	2012
<b>12 Stock-in-trade</b>			
Raw materials and packing material	12.1	363,580	298,249
Work -in-process		47,273	47,305
Finished goods		87,479	60,305
		498,332	405,859
Slow moving raw material stock written off	30	(1,193)	(2,486)
		497,139	403,373

13.1 It includes raw material in transit amounting to Rs. 40.951 million (2012: Rs. 49.135 million).

### 13 Trade debts

Foreign- secured, considered good		12,095	21,025
Foreign- unsecured, considered good		58,400	54,178
Local-unsecured - considered good			
Global Econo Trade (Private) Limited - subsidiary company	13.1	272,254	416,625
Others		4,775	1,059
		347,524	492,887
Unsecured considered doubtful	13.2	465	465
		347,989	493,352
Provision for doubtful debts		(465)	(465)
		347,524	492,887

13.1 The maximum aggregate amount due from subsidiary company at the end of any month during the year was Rs. 372.085 million (2012: Rs. 887.965 million).

13.2 The movement in provision for doubtful debts for the year is as follows:

Balance as at 01 July		465	465
Provision for the year - net of recoveries		-	-
Balance as at 30 June		465	465

## Notes to the Financial Statements

13.3 Ageing analysis of the amounts due from Global Econo Trade (Private) Limited is as follows:

	Note	2013 (Rupees in thousand)	2012
Less than 30 days		-	277,053
Past due 1 - 3 months		-	139,572
Past due 3 - 6 months		-	-
Past due 6 - 12 months		-	-
Above one year		272,254	-
		272,254	416,625

### 14 Short term investments

Investment at fair value through profit or loss

Listed equity securities	14.1	499,429	346,874
Mutual funds	14.2	2,037	11,596
Future market	14.3	5,187	-
Term deposit receipts		-	5,000
		506,653	363,470

14.1 Details of investment in listed equity securities are stated below:

	Share certificates		Market value	
	2013 Number	2012 Number	2013 (Rupees in thousand)	2012
<b>Sector /Companies</b>				
<b>Banks</b>				
NIB Bank Limited	-	2,217,532	-	4,413
BankIslami Pakistan Limited	400,000	-	2,606	-
Investment Capital Investment Bank Limited	200,000	-	312	-
Silk Bank Limited	149,500	-	338	-
<b>Power generation and distribution</b>				
Kohinoor Energy Limited	-	2,151,707	-	46,262
<b>Modaraba</b>				
First Habib Bank Modaraba	-	500	-	4
First Punjab Modaraba	-	199,801	-	296
First Al-noor Modaraba	366,500	474,547	1,836	2,325
First Punjab Modaraba	-	2,903,187	-	14,284



	Share certificates		Market value	
	2013 Number	2012 Number	2013 (Rupees in thousand)	2012
<b>Industrial metal and mining</b>				
Crescent Steel and Allied Products Limited	-	819,250	-	19,008
<b>Sugar and allied industry</b>				
Shahtaj Sugar Mills Limited	-	128,455	-	9,819
Mirpur Khas Sugar Mills Limited	-	17,170	-	646
Al-Noor Sugar Mills Limited	927,000	635,543	43,569	26,911
The Thal Industries Corporation Limited	25,315	32,068	1,005	1,403
<b>Cable and electrical goods</b>				
Siemens Pakistan Engineering Company Limited	55,400	40,081	36,076	29,945
<b>Textile</b>				
Indus Dyeing and Manufacturing Company Limited	450,010	421,571	265,281	170,631
Bannu Woolen Mills Limited	1,182,500	34,961	90,934	787
Janana Be Mancho Textiles Limited	-	17,686	-	363
Sunrays Textile Mills Limited	1,000	2,612	194	168
Island Textile Mills Limited	1,300	-	775	-
Shahtaj Textile Limited	309,000	-	11,433	-
<b>Insurance</b>				
Atlas Insurance Limited	-	126,969	-	3,007
Habib Insurance Company Limited	-	332,349	-	3,685
<b>Paint</b>				
Berger Paints Pakistan Limited	52,000	-	1,201	-
Akzo Nobel Pakistan Limited	549,800	-	33,059	-
<b>Miscellaneous</b>				
Descon Oxychem Limited	-	214,575	-	833
Amtex Limited	-	417,600	-	894
Habib Adl Limited	-	245,282	-	5,041
Shifa International Hospital	-	37,739	-	1,168
Otsuka Pakistan Limited	-	10,390	-	372
Ghani Gases Limited	-	105,822	-	978
Dynea Pakistan Limited	-	134,660	-	2,723

## Notes to the Financial Statements

	Share certificates		Market value	
	2013 Number	2012 Number	2013 (Rupees in thousand)	2012
PICIC Investment Fund	-	100,000	-	551
Dadex Enternit Limited	-	8,000	-	357
Baluchistan Wheels Limited	208,000	-	10,192	-
Bawany Air Products Limited	11,500	-	169	-
Emco Industries Limited	37,500	-	113	-
Leiner Pak Gelatine Limited	21	-	336	-
			499,429	346,874

14.2 Details of investment in mutual funds are stated below:

	Units		Market value	
	2013 Number	2012 Number	2013 (Rupees in thousand)	2012
First Habib Cash Fund	-	114,733	-	11,596
JS Cash Fund	19,385	-	2,037	-
			2,037	11,596

14.3 Details of investment in future market is stated below:

	Ounces		Market value	
	2013 Number	2012 Number	2013 (Rupees in thousand)	2012
Investment in commodities (gold -spot future )	42	-	5,187	-
			5,187	-

15	Loans, advances, deposits, prepayments and other receivables	Note	2013 (Rupees in thousand)		2012	
	Current portion of loan to housing fund	9	1,848		1,992	
	Current portion of loan to employees - secured, considered good	9	7,194		4,263	
			9,042		6,255	
	Advances to subsidiary companies:					
	Global Econo Trade (Private) Limited	15.1 & 15.2	150		3,383	
	First Treet Manufacturing Modaraba TCL Labor-Hire Company (Private) Limited - subsidiary of Global Econo Trade	15.1 & 15.3	7,540		3,080	
	(Private) Limited	15.1 & 15.4	-		11,899	
	Advances to employees - secured, considered good	15.5	24,278		6,166	

	Note	2013 (Rupees in thousand)	2012
Advances - unsecured, considered good			
Suppliers		96,708	75,071
Income tax		155,176	144,120
		251,884	219,191
Margin deposits - Letter of credits		5,461	2,905
Prepayments		14,088	9,683
Insurance claim receivable from IGI Insurance Limited - a related party		655	386
Advances to related parties			
Wazir Ali Industries Limited		-	13
Loads Limited		142	72
IGI Investment Bank		-	10,000
		142	10,085
Workers' profit participation fund	15.7	8,796	5,372
Receivable from statutory authorities			
Export rebate		32,931	14,024
Freight subsidy		-	6,359
Collector of customs		546	2,763
Sales tax		200	2,088
		33,677	25,234
Receivable from broker against sale of investments		248	-
Dividend receivable		-	5,009
Other receivables		1,699	6,042
		357,660	314,690

- 15.1** This represents amounts receivable from subsidiary companies for reimbursement of expenses and sharing of common expenses under normal business trade as per the agreed terms.
- 15.2** Maximum aggregate amount due from Global Econo Trade (Private) Limited at the end of any month during the year was Rs. 0.15 million (2012: Rs. 3.383 million).
- 15.3** Maximum aggregate amount due from First Treet Manufacturing Modaraba at the end of any month during the year was Rs. 5.040 million (2012: Rs. 3.080 million).
- 15.4** Maximum aggregate amount due from TCL Labor-Hire Company (Private) Limited at the end of any month during the year was Rs. Nil (2012: Rs. 12.649 million).

## Notes to the Financial Statements

**15.5** These are interest free advances to the Company's employees in respect of salary, medical and travelling expenses and are secured against employees retirement benefits. These include an aggregate amount of Rs. 1.092 million (2012: Rs. 2.650 million) receivable from executives of the Company. These also include an amount of Rs. 3.682 million given to chief executive of the Company against travelling.

**15.6** This represents advances given to these companies for purchase of goods or services under normal business trade as per the agreed terms.

	Note	2013 (Rupees in thousand)	2012
<b>15.7 Workers' profit participation fund</b>			
Balance (receivable) / payable as at 01 July		(5,372)	15,371
Add: Charge for the year		11,576	19,628
		6,204	34,999
Less: Paid during the year		(15,000)	(40,371)
Balance (receivable) as at 30 June		(8,796)	(5,372)
<b>16 Cash and bank balances</b>			
Cash in hand		17,347	11,955
Cash at bank - local currency			
Current accounts		43,814	8,479
Saving accounts	16.1	4,822	109,104
		48,636	117,583
		65,983	129,538

**16.1** These carry mark-up at the rates ranging from 6% to 8.25% per annum (2012: 5% to 12% per annum).

### 17 Non-current assets held for sale

Balance as at 01 July		88,473	225,285
Disposal during the year		-	(136,812)
Balance as at 30 June		88,473	88,473

**17.1** The Company had entered into various agreements to sell the above mentioned freehold lands. Under these agreements sale was expected to be completed within one year upon receipt of the full amount and registration of the sale deed. However, the buyers requested for an extension in the payment period till September 2013 which the management granted with mutual consent. Advance amounting to Rs. 91.593 million has been received against the non-current assets held for sale as at 30 June 2013 as given in note 19 of these financial statements. Rs. 88.473 million include amounts of Rs. 81.985 million transferred from investment properties and Rs. 6.488 million transferred from property, plant and equipment.

**17.2** The approximate market value of non-current assets held for sale as at 30 June 2013 amounts to Rs. 131.55 million.

	Note	2013 (Rupees in thousand)	2012
<b>18 Short term borrowings</b>			
Short term running finance - secured	18.1	38,595	591,266
Money market loans - secured	18.2	-	610,000
Export refinance - secured	18.3	537,585	488,850
		<b>576,180</b>	1,690,116

**18.1** The Company has arranged facilities for short-term running finance from various banks under mark-up arrangement to the extent of Rs. 1,650 million (2012: Rs. 1,950 million). These carry mark-up at the rates ranging from 9.33% to 13.64% per annum (2012: 12.48% to 15.06% per annum).

**18.2** This represents money market loans obtained from commercial banks. These carry mark-up at the rates ranging from 9.32% to 12.97% per annum (2012: 12.92% to 15.06% per annum). These loans are for periods ranging from 28 to 180 days.

**18.3** The Company has arranged facilities of export refinance from various banks under mark-up arrangement to the extent of Rs. 1,250 million (2012: Rs. 1,050 million). These carry mark-up at the rate of 8.7% to 11% per annum (2012: 11% per annum).

**18.4** All short term borrowings of the Company are secured by way of joint first pari passu hypothecation charge of Rs. 3,468 million (2012: 4,135 million) on the entire present and future current assets of the Company.

## 19 Trade and other payables

Trade creditors			
Related parties	19.1	12,531	1,457
Others		27,582	25,244
		<b>40,113</b>	26,701
Other creditors			
Related parties	19.2	1,502	1,549
Others		18,268	27,347
		<b>19,770</b>	28,896
Payable against letter of credit		23,006	17,201
Accrued liabilities		138,719	211,805
Advances from customers		42,351	16,004
Advance against non-current assets held for sale		91,593	91,593
Workers' welfare fund	19.3	4,399	5,007
Employees deposits		37,080	38,456
Payable to employees housing fund		-	584
Payable to service fund		1,932	-
Unclaimed dividend		3,102	6,060

## Notes to the Financial Statements

	Note	2013	2012
(Rupees in thousand)			
Sales tax payable		4,851	216
Payable to broker		4,386	-
Other payables		3,693	212
Payable to employee retirement benefit funds			
Payable to gratuity fund	19.4	16,793	16,793
Payable to superannuation fund	19.4	14,750	14,750
Payable to employees provident fund	19.5	3,030	-
		34,573	31,543
		449,568	474,278
<b>19.1 Related parties</b>			
Associated Undertakings			
Packages Limited		31	1,457
Subsidiary Company			
TCL Labor-Hire (Private) Limited		12,500	-
		12,531	1,457
<b>19.2 Related parties</b>			
Associated Undertakings			
ZIL Limited		26	65
IGI Insurance Limited		13	11
IGI Investment Bank		1,463	1,463
Orient Trading (Private) Limited		-	10
		1,502	1,549
<b>19.3 Workers' welfare fund</b>			
Balance as at 01 July		5,007	1,936
Add: Charge for the year		4,399	5,007
		9,406	6,943
Less: Paid during the year		(5,007)	(1,936)
Balance as at 30 June		4,399	5,007

## 19.4 Employee retirement benefits

a) Movement in the liability recognized in the balance sheet in respect of following funded schemes is given below:

	2013			2012		
	Gratuity	Superannuation	Total	Gratuity	Superannuation	Total
	------(Rupees in thousand)-----					
Net liability as at 01 July	16,793	14,750	31,543	13,012	12,311	25,323
Expense for the year						
Treet Corporation Limited	13,306	12,349	25,655	13,244	12,689	25,933
TCL Labor-Hire Company (Private.) Ltd.	4,911	3,149	8,060	3,549	2,061	5,610
	18,217	15,498	33,715	16,793	14,750	31,543
Contributions made by the Company during the year	(18,217)	(15,498)	(33,715)	(13,012)	(12,311)	(25,323)
Net liability as at 30 June	16,793	14,750	31,543	16,793	14,750	31,543

b) Reconciliation of the liability recognized in the balance sheet in respect of these funded schemes is shown below:

	2013			2012		
	Gratuity	Superannuation	Total	Gratuity	Superannuation	Total
	------(Rupees in thousand)-----					
Present value of defined benefit obligation	151,408	143,977	295,385	123,212	117,516	240,728
Fair value of plan assets	(101,762)	(96,189)	(197,951)	(85,663)	(86,264)	(171,927)
Un-recognized actuarial losses	(32,853)	(33,038)	(65,891)	(20,756)	(16,502)	(37,258)
Closing liability	16,793	14,750	31,543	16,793	14,750	31,543

c) Movement in present value of defined benefits obligation is as follows:

	2013			2012		
	Gratuity	Superannuation	Total	Gratuity	Superannuation	Total
	------(Rupees in thousand)-----					
Present value of defined benefit obligation as at 01 July	123,212	117,516	240,728	107,825	103,779	211,604
Current service cost	12,687	11,071	23,758	11,267	10,173	21,440
Interest cost	16,017	15,277	31,294	15,096	14,529	29,625
Benefits paid during the year	(14,854)	(16,598)	(31,452)	(11,507)	(11,651)	(23,158)
Actuarial loss on present value of defined benefit obligation	14,346	16,711	31,057	531	686	1,217
Present value of defined benefit obligation as at 30 June	151,408	143,977	295,385	123,212	117,516	240,728

## Notes to the Financial Statements

d) Movement in fair value of plan assets is as follows:

	2013			2012		
	Gratuity	Superan-nuation	Total	Gratuity	Superan-nuation	Total
------(Rupees in thousand)-----						
Fair value of plan assets as at 01 July	85,663	86,264	171,927	73,910	74,632	148,542
Expected return on plan assets	11,136	11,214	22,350	10,348	10,449	20,797
Contribution paid during the year	18,217	15,498	33,715	13,012	12,311	25,323
Benefits paid during the year	(14,854)	(16,598)	(31,452)	(11,507)	(11,651)	(23,158)
Actuarial gain/(loss) on plan assets	1,600	(189)	1,411	(100)	523	423
Fair value of plan assets as at 30 June	101,762	96,189	197,951	85,663	86,264	171,927

Plan assets comprise of:

	2013			2012		
	Gratuity	Superan-nuation	Total	Gratuity	Superan-nuation	Total
------(Rupees in thousand)-----						
Term finance certificates	20,272	18,723	38,995	16,400	19,995	36,395
Listed securities	11,106	12,792	23,898	9,542	10,568	20,110
Deposits with banks	12,715	7,152	19,867	7,254	2,487	9,741
Investment in mutual funds	1,931	-	1,931	1,672	1,275	2,947
Government securities	51,500	54,000	105,500	49,300	49,000	98,300
Advance to other fund	1,443	-	1,443	30	-	30
Other	2,795	3,522	6,317	1,465	2,939	4,404
	101,762	96,189	197,951	85,663	86,264	171,927

e) The following amounts have been charged to the profit and loss account during the current year in respect of these funded schemes:

	2013			2012		
	Gratuity	Superan-nuation	Total	Gratuity	Superan-nuation	Total
------(Rupees in thousand)-----						
Current service cost	12,687	11,071	23,758	11,267	10,173	21,440
Interest cost	16,017	15,277	31,294	15,096	14,529	29,625
Expected return on assets	(11,136)	(11,214)	(22,350)	(10,348)	(10,449)	(20,797)
Actuarial loss	649	364	1,013	778	497	1,275
Net amount chargeable to profit and loss account	18,217	15,498	33,715	16,793	14,750	31,543



The expense included in above table includes Rs. 18.06 million (2012: Rs.5.61 million) relating to TCL Labor-Hire Company (Private) Limited.

- f) Actuarial valuation of these plans was carried out as of 30 June 2013 using the projected unit credit method, the principal actuarial assumptions used are as follows:

	2013	2012
Expected rate of increase in salary level	9.5%	12%
Valuation discount rate	10.5%	13%
Rate of return on plan assets	13%	14%

g) **Historical Information**

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund is as follows:

	As at 30 June				
	2013	2012	2011	2010	2009
	------(Rupees in thousand)-----				
Present value of defined benefit obligation	151,408	123,212	107,825	91,088	81,314
Fair value of plan assets	101,762	85,663	73,910	65,999	60,264
Deficit	(49,646)	(37,549)	(33,915)	(25,089)	(21,050)
Experience adjustment arising on defined benefit obligation	14,346	531	7,368	78	4,463
Experience adjustment arising on plan assets	1,600	(100)	(283)	(1,521)	(3,070)

The present value of defined benefit obligation, the fair value of plan assets and the deficit of funded superannuation scheme fund is as follows:

	As at 30 June				
	2013	2012	2011	2010	2009
	------(Rupees in thousand)-----				
Present value of defined benefit obligation	143,977	117,516	103,779	92,635	84,846
Fair value of plan assets	96,189	86,264	74,632	67,315	60,535
Deficit	(47,788)	(31,252)	(29,147)	(25,320)	(24,311)
Experience adjustment arising on defined benefit obligation	16,711	686	3,172	(897)	4,414
Experience adjustment arising on plan assets	(189)	523	(342)	(163)	(1,043)

- 19.5 The Company has set up provident fund for its permanent employees. The total charge against provident fund for the year was Rs. 15.71 million (2012: Rs. 9.15 million). The net assets based on unaudited financial statements of provident fund for the year ended 30 June 2013 amount to Rs. 273.85 million (2012: Rs. 256.58 million). The fair value of investments of provident fund was Rs. 245.23 million (2012: Rs. 236.63 million) and the cost of the investment was Rs. 241.68 million (2012: Rs. 238.14 million). The above investments out of provident fund have been made in accordance with the requirement of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## Notes to the Financial Statements

	2013 (Rupees in thousand)	2012	2013 %	2012 %
<b>19.5.1</b> The break-up of fair value of investments is:				
Treasury bills	-	42,300	-	18
National saving bonds/ Special saving bonds	34,300	44,300	14%	19
Pakistan investment bonds	68,500	65,000	28%	27
National investment trust units	4,237	3,026	2%	1
Mutual funds	5,651	6,266	2%	3
Listed securities	41,576	28,804	17%	12
Term finance certificates	19,741	21,117	8%	9
Term deposit certificates	25,415	25,415	10%	11
Participation term certificates	45,050	-	19%	0
Account with broker for investment	762	398	0%	0
	<b>245,232</b>	<b>236,626</b>	<b>100%</b>	<b>100</b>

	2013 (Rupees in thousand)	2012
<b>20</b> Accrued mark-up		
Participation term certificates	279,805	-
Short term borrowings	13,709	49,000
	<b>293,514</b>	<b>49,000</b>

**21 Provision for taxation**

This represent tax liability amounting to Rs. 21.34 million netted off against the tax loss acquired by the Company from its subsidiary company, Global Econo Trade (Private) Limited amounting to Rs. 42.18 million, equivalent to a tax value of Rs. 14.76 million.

**22 Long term deposits**

These represent interest free deposits received from freight forwarding agencies and other contractors repayable after performance of contracts.

**23 Redeemable capital**

Participation term certificates	1,254,668	-
Less: Current portion shown under current liabilities	(179,417)	-
	<b>1,075,251</b>	<b>-</b>

During the year, the Company had offered to the shareholders of the Company, 41,822,250 Participation Term Certificates (PTCs) of Rs. 30 each. This offer was made in the ratio of 1 PTC for every 1 ordinary share held by the Company's shareholders as on 04 October 2012. These PTCs are listed on all stock exchanges of Pakistan. The salient terms of this issue are as follows:

## Terms and conditions

The PTCs are mandatorily convertible into ordinary shares of the Company at the ratio of two PTCs into one ordinary share in a period of 7 years. Principal amount of PTC will be reduced through redemption (in cash and through share conversion). The principal redemption through cash is Rs. 0.15 per PTC per annum from year 2013 to year 2019 and principle redemption through share conversion is 0.07 share per PTC per annum from year 2013 to year 2018 and 0.08 for year 2019.

The PTC holder shall be paid minimum profit at Rs. 4.14 per annum for each PTC, along with a contingent profit payment based on the consolidated profits before tax WWF, WPPF and finance cost relating to PTCs based on following criteria.

## Pay- off matrix

Profit from	Profit to	Payoff % on excess amount of profit
-	179,500,000	Nil
179,500,001	250,000,000	72% of amount exceeding Rs.179,500,000
250,000,001	350,000,000	Rs.50,760,000 and 25% of amount exceeding Rs.250,000,000
350,000,001	450,000,000	Rs.75,760,000 and 20% of amount exceeding Rs.350,000,000
450,000,001	550,000,000	Rs.95,760,000 and 15% of amount exceeding Rs.450,000,000
550,000,001	650,000,000	Rs.110,760,000 and 10% of amount exceeding Rs.550,000,000
650,000,001	and above	Rs.120,760,000 and 5% of amount exceeding Rs.650,000,000

Contingent profits are based on the actual profit before tax, WPPF, WWF and interest on participation term certificates for the current year and projected profits for the years from 2014 to 2019. Projected profits before tax, WPPF, WWF and interest on participation term certificates for the years from 2014 to 2019 were approved by the Board of Directors as a part of prospectus.

The following table shows the redemption of PTC for the year 2013.

Principal redemption in cash	Principal redemption in shares	Principal value redemption	Increase in ordinary share capital	Increase in ordinary share capital	Share premium of conversion	Category "A" payment in cash	Category "B" payment in cash
(----- Rupees in thousands -----)			Shares	(----- Rupees in thousands -----)			
6,273	173,144	179,417	2,927,557	29,276	143,868	179,417	106,661

The Company will issue 2,927,557 ordinary shares of face value of Rs. 10 per share against Rs. 173.144 million.

Payment of Category "A" & "B" payments and share conversion will be made on or before 02 November 2013 on the basis of entitlement dates of the above payments as on 09 October 2013.

The PTCs are recognised in the balance sheet as a compound instrument. The fair value of the liability component of the PTCs is calculated by discounting cash flows at a rate of approximately 15.5% which represents the rate of similar instrument with no associated equity component.

## Notes to the Financial Statements

### Securities

As per the terms and conditions of the security trust deed dated May 16, 2011 executed between Treet Corporation Limited and Faysal Bank Limited, the PTC will be secured by the following:

First pari passu hypothecation charge of Rs. 165 million over the present and future current assets lying at factory premises, warehouse or any other place of storage/ godowns in Pakistan and all such future goods/ stocks/ assets which in ordinary course of business would normally be considered part of current assets of the Holding Company pursuant to letter of hypothecation dated May 16, 2011.

First exclusive equitable mortgage of Rs. 1,254.67 million over the mortgaged property, i.e. land measuring 11.62 acres situated in Kot Lakhpat, Industrial Area Scheme, Lahore (Quaid-e-Azam Industrial Estate) bearing Plot No. 72-B together with all buildings, structures, fittings and fixtures permanently fastened to land and erections built or erected or to be built or erected thereon pursuant to Memorandum of Deposit of Title Deeds dated May 16, 2011.

First Exclusive Floating charge of Rs. 1,254.67 over the present and future movable fixed assets of the Holding Company pursuant to deed of floating charge dated May 16, 2011.

Pledge of Rs. 250 million over the liquid assets (i.e. listed securities having value of at least Rs. 250 million pledged in favor, or under lien, of the Security Trustee, which may include shares of Packages Limited, IGI Insurance Limited, ZIL Limited and/or any other liquid securities) pursuant to the letter of lien and pledge dated May 16, 2011.

The above investment in shares/securities will be kept in CDC Account which shall be under pledge of security trustee. However, movement in/from the said pledged account will not be restricted by the security trustee provided that aggregate value of Rs. 250 million. The security trustee shall ensure that the closing balance of shares in the pledged account at anytime shall not fall below the equivalent Rupee value of Rs. 250 million.

	2013	2012
	(Rupees in thousand)	
<b>24</b>		
<b>Deferred taxation</b>		
Deferred tax comprises of the following:		
	75,378	80,726
	(8,067)	-
	(2,555)	-
	(163)	(163)
<b>25</b>	<b>64,593</b>	<b>80,563</b>
<b>Contingencies and commitments</b>		

#### 25.1 Contingencies

- The Company is in appeal before the Appellate Tribunal Inland Revenue(ATIR) Lahore against the order passed by Additional Commissioner of Income Tax Large Tax payer unit (LTU) u/s 12(9A) of the repealed Income Tax Ordinance, 1979 for the assessment year 2000-01. As a result of this order, an income tax demand of Rs. 12.794 million along with an additional tax of Rs. 2.011 million had been created against the Company. Since the order of Additional Commissioner is out of jurisdiction, the Company is of the view that no tax demand will ultimately arise or become payable.

- The Company is in second appeal before the ATIR against the order passed by the Commissioner of Income Tax (Appeals) on the issue of proportion of profits between local and export sales for tax year 2003 and 2006, involving income tax demand of Rs. 16.051 million. However, the Company has filed a rectification application on account of incorrect computation, there by the actual tax demand without concealing the legitimate position on this issue is Rs.5.759 million instead of 16.052 million. The management is of the view that no tax demand will ultimately arise or become payable.
- For the assessment year 1999-2000 the Taxation Officer Circle-11, Companies Zone-II, Lahore had charged additional tax amounting to Rs. 3.269 million on the grounds that the Company had failed to deposit the tax due on the basis of the Company's return filed on dated 30-12-1999. The Taxation Officer was wrong as the due tax had been paid by the Company. In this regard a rectification application had been moved to the department to rectify the levy of additional tax. Since this mistake is apparent from the record therefore, the Company feel it would be rectified accordingly, with a tax refund equivalent to that amount available to the Company.
- The Company filed an appeal before the Commissioner Inland Revenue (Appeals), Zone-1, Lahore; against the order passed by the Additional Commissioner Inland Revenue, Audit, Zone-1, LTU u/s 124(2)/132 on the issue of proportion of profit between local and export sales for the tax year 2004. As a result a tax demand of Rs. 6.56 million arises. A favorable outcome is expected in the appeal as the documents/ATIR order produced before Additional Commissioner are in favour of the Company.
- The Company has filed an appeal before the Commissioner Inland Revenue (Appeals), Zone-1, Lahore; against the order passed by the Deputy Commissioner Inland Revenue, Enforcement-05 & 09, Zone-1, LTU u/s 161/205 for a tax demand of Rs. 253,958 for the tax year 2006. A favourable outcome is expected in the appeal as the Company has complied with the relevant withholding tax provisions.
- For the tax period July to October 2011 a sales tax demand of Rs. 1.559 million was created by the Deputy Commissioner Inland Revenue, Audit-03, Zone-1, LTU, Lahore for alleged default of compliance of section 8(1)(CA) of the Sales Tax Act, 1990. Against this order, the Company filed appeal before the Commissioner Inland Revenue (Appeals), Zone-1, Lahore; and got a relief of Rs. 424,273. The Company has also filed second appeal before the ATIR and expects a favourable outcome, as the Honourable Lahore High Court, Lahore has declared the provision of section 8(1) (CA) ultra-vires.

## 25.2 Commitments

Outstanding letters of credit as at 30 June 2013 amounted to Rs. 509.910 million (2012: Rs. 499.282 million).

- Commitments for ijarah rentals for ijarah financing from Standard Chartered Modaraba Rs. Nil (2012:8.711).

	2013	2012
	(Rupees in thousand)	
- For the year ended 30 June 2013	-	3,797
- For the year ended 30 June 2014	-	3,797
- For the year ended 30 June 2015	-	1,117
	-	8,711

## Notes to the Financial Statements

## 26 Issued, subscribed and paid-up capital

2013 (Number of shares)	2012	Note	2013 (Rupees in thousand)	2012
2,594,075	2,594,075	Ordinary shares of Rs. 10 each fully paid-up in cash	25,940	25,940
1,095,000	1,095,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	10,950	10,950
38,133,175	38,133,175	Ordinary shares of Rs. 10 each fully issued as bonus shares	381,332	381,332
<b>41,822,250</b>	<b>41,822,250</b>		<b>418,222</b>	<b>418,222</b>

26.1 IGI Insurance Limited and Loads Limited (associated companies), hold 5,442,060 and 2,731,000 (2012: 5,442,060 and 2,731,000) fully paid in cash ordinary shares of the Company of Rs. 10 each, respectively.

## 27 Reserves

Capital reserves	27.1	8,949	8,949
General reserves		266,400	266,400
Fair value reserves		1,687	3,019
		<b>277,036</b>	<b>278,368</b>

## 27.1 Capital reserves

Excess of net worth over purchase consideration of assets of Wazir Ali Industries Limited	629	629
Share premium	8,320	8,320
	<b>8,949</b>	<b>8,949</b>

## 28 Surplus on revaluation of property - net of tax

Balance as at 01 July	1,173,924	1,195,031
Surplus on revaluation of fixed assets during the year		
Transferred to unappropriated profit in respect of incremental depreciation charged during the Year - net of deferred tax	(5,154)	(5,991)
Related deferred tax liability	(2,775)	(3,225)
Write-down of fixed assets	-	(11,891)
	<b>(7,929)</b>	<b>(21,107)</b>
Surplus on revaluation of fixed assets as at 30 June	<b>1,165,995</b>	<b>1,173,924</b>

	Note	2013 (Rupees in thousand)	2012
Less: Related deferred tax liability on:			
Revaluation as at 01 July		429,260	436,647
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(2,775)	(3,225)
Write-down of fixed assets		-	(4,162)
		426,485	429,260
Balance as at 30 June		739,510	744,664
<b>29 Sales - net</b>			
Local sales		2,381,678	2,279,332
Export sales		1,409,699	1,191,549
		3,791,377	3,470,881
Less: Sales tax		328,811	315,695
Trade discount		63,125	334,517
		391,936	650,212
		3,399,441	2,820,669
<b>30 Cost of goods sold</b>			
Opening stock of raw material and packing material		298,249	205,882
Purchases		1,398,703	1,326,279
Slow moving raw material stock written off	12	1,193	2,486
Less: Closing stock of raw and packing material		(363,580)	(298,249)
Raw and packing materials consumed		1,334,565	1,236,398
Stores and spares consumed		106,923	99,119
Salaries, wages and other benefits	30.1	529,246	426,764
Fuel and power		212,600	182,968
Repair and maintenance		17,851	14,975
Rent, rates and taxes		2,662	2,590
Insurance		33,248	28,868
Product research and development		-	35
Traveling and conveyance		16,952	10,917
Printing and stationery		2,723	2,706
Postage and telephone		4,832	4,822
Legal and professional charges		1,142	1,936
Entertainment		1,361	1,547
Staff training		414	286
Subscriptions		1,089	618
Depreciation on property, plant and equipment	6.1.4	72,228	59,777

## Notes to the Financial Statements

	Note	2013 (Rupees in thousand)	2012
Ijarah lease rentals		484	2,485
Expenses for computerisation		4,779	-
Other expenses		15,242	16,901
		<b>2,358,341</b>	2,093,712
Opening stock of work-in-process		47,305	44,587
Closing stock of work-in-process	12	(47,273)	(47,305)
Cost of goods manufactured		<b>2,358,373</b>	2,090,994
Opening stock of finished goods		60,305	74,125
Closing stock of finished goods	12	(87,479)	(60,305)
		<b>2,331,199</b>	2,104,814

**30.1** Salaries, wages and other benefits include Rs. 10.25 million (2012: Rs. 12.5 million) and Rs. 9.84 million (2012: Rs. 22.83 million) in respect of defined benefit schemes and defined contribution schemes respectively.

**31 Administrative expenses**

Salaries and other benefits	31.1	52,501	45,288
Electricity and gas		54	89
Repairs and maintenance		857	449
Rent, rates and taxes		15,452	1,749
Traveling and conveyance		2,587	1,789
Entertainment		1,923	1,828
Staff training		32	15
Postage and telephone		494	391
Printing and stationery		1,124	1,092
Legal and professional charges	31.2	19,354	9,838
Donations	31.3	10,815	
Computer expenses		1,394	882
Directors' fee	37	260	370
Subscription		21	67
Depreciation on property, plant and equipment	6.1.4	25,242	23,162
Depreciation on investment property	7	729	750
Other		348	-
		<b>133,187</b>	88,589

**31.1** Salaries and other benefits include Rs. 1.16 million (2012: Rs. 2.24 million) and Rs. 1.23 million (2012: Rs. 3.05 million) in respect of defined benefit schemes and defined contribution schemes respectively.

**31.2** Legal and professional charges include the following in respect of auditors' remuneration:



	2013	2012
	(Rupees in thousand)	
Statutory audit	1,377	800
Half yearly review	342	300
Out of pocket expenses	191	165
	<b>1,910</b>	<b>1,265</b>

**31.3** This includes an amount of Rs. Nil (2012: Rs.0.18 million) donated to Institute of Islamic Culture for Mr. Shahid Ali (Chief Executive of the Company).

### 32 Distribution cost

Salaries and other benefits		133,970	57
Repair and maintenance		2,870	57
Advertising		424,756	107,397
Freight, octroi and handling		57,404	26,214
Export commission		25,130	25,170
Rent, rates and taxes		1,834	-
Traveling and conveyance		26,530	1,058
Entertainment		302	44
Product development		735	469
Postage and telephone		2,786	598
Depreciation on property, plant and equipment	6.1.4	8,472	-
Printing and stationery		1,199	6,426
Legal and professional charges		650	-
Others expenses		7,189	8,760
		<b>693,827</b>	<b>176,250</b>

**32.1** Salaries and other benefits include Rs. 1.90 million (2012:Rs. Nil) and Rs. 1.29 million (2012:Rs. Nil) in respect of defined benefit schemes and defined contribution schemes respectively.

### 33 Finance cost

Mark-up on short term borrowings		99,773	233,998
Mark-up on director loan		8,838	-
Bank charges		14,248	6,155
Mark-up on participation term certificates		279,805	-
		<b>402,664</b>	<b>240,153</b>

### 34 Other operating expenses

Realised exchange loss		4,617	1,805
		<b>4,617</b>	<b>1,805</b>

## Notes to the Financial Statements

	Note	2013 (Rupees in thousand)	2012
<b>35 Other income</b>			
<b>Income from financial assets</b>			
Profit on bank deposits		2,941	4,902
Profit on term deposits		2,090	-
Profit on disposal of long term investments available for sale		40	37,691
Unrealised gain on short term investments at fair value through profit or loss		120,991	3,364
Realized gain on disposal of short term investments at fair value through profit or loss		42,331	2,940
Dividend from short term investments		27,039	28,049
Dividend from long term investments		2,102	2,576
		<b>197,534</b>	<b>79,522</b>
<b>Income from non-financial assets</b>			
Profit on disposal of property, plant and equipment		15,161	6,167
Profit on disposal of investment property		13,650	-
Rental income from investment property		5,590	11,578
Rental income from associated undertaking		2,500	-
Scrap sale		18,789	18,253
Export rebate		26,948	13,317
Unrealised exchange gain		1,419	1,282
Others	35.1	4,692	272
		<b>88,749</b>	<b>272</b>
<b>Income from investment in related parties</b>			
Dividend from long term investments		111,294	53,115
		<b>397,577</b>	<b>183,506</b>

**35.1** This includes Rs. 0.1 million (2012: Rs. 0.272 million) in respect of unclaimed dividend.

**36 Taxation**

Current			
- For the year	36.1	21,341	73,264
- For prior years		(8,592)	(15,323)
Deferred		-	-
- For the year		(15,970)	-
		<b>(3,221)</b>	<b>57,941</b>

	2013	2012
	%	%
<b>36.1 Tax charge reconciliation</b>		
Numerical reconciliation between the average effective tax rate and applicable tax rate		
Applicable tax rate	-	35.00
Tax effect of amounts that are:		
Income exempt for tax purposes	-	(1.61)
Income chargeable to tax at lower rate	-	(9.87)
Effect of change in prior year	-	(4.16)
Others	-	(1.12)
	-	(16.76)
Average effective tax rate charged to profit and loss account	-	18.24

**36.2** No numeric tax reconciliation for current year is given in these financial statements as the provision made for the current year represents minimum tax payable under section 113 and final tax deducted under section 148 and 154 of the Income Tax Ordinance, 2001.

**36.3** The Company has claimed group relief under section 59 B of the Income Tax Ordinance, 2001 by acquiring tax losses of its subsidiary Company, Global Econo Trade (Private) Limited amounting to Rs. 42.18 million, equivalent to a tax value of Rs. 14.76 million.

## Notes to the Financial Statements

## 37 Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the Chief Executive, Executive Directors, non-Executive Directors and Executives of the Company is as follows:

	Chief Executive		Executive Directors		Non-Executive Directors		Executives	
	2013	2012	2013	2012	2013	2012	2013	2012
	----- (Rupees in thousand) -----							
Managerial remuneration	16,364	16,364	5,467	5,334	-	-	43,322	57,290
Provident fund	-	-	547	236	-	-	4,032	2,530
Service fund	-	-	547	236	-	-	4,032	2,530
Housing fund	-	-	-	-	-	-	2,501	1,070
Bonus	-	-	9,321	1,684	-	-	46,793	16,968
Entertainment	-	52	-	-	-	-	-	-
Utilities	1,636	1,636	547	236	-	-	2,396	2,530
Medical	924	1,744	547	236	-	-	4,032	2,530
Fees	-	-	-	-	260	370	-	-
	18,924	19,796	16,976	7,962	260	370	107,108	85,448
Number of persons	1	1	2	1	5	5	37	28

37.1 The Chief Executive Officer, Directors and Executives are provided with free use of group maintained cars and telephone facility, according to their entitlement.

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

	2013	2012
	(Number of persons)	
- As at 30 June	992	876
- Average number of employees	972	847

**38 Transactions with related parties**

The related parties comprise subsidiaries, associated undertakings, other related group companies, directors of the Company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under loans, advances, deposits, prepayments and other receivables (15.1 - 15.5) and trade and other payables (19.1, 19.2, 19.4 & 19.5) and remuneration of directors and key management personnel are disclosed in note 37. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	2013	2012
		(Rupees in thousand)	
<b>I</b>	<b>Subsidiaries</b>		
	TCL Labor-Hire Company (Private) Limited		
	Purchase of services	144,295	61,373
	Reimbursable expenses paid on behalf of subsidiary	-	18,105
	Global Econo Trade (Private) Limited		
	Sale of goods	26,208	1,026,824
	Reimbursable expenses paid on behalf of subsidiary	-	2,659
	Purchase of tax losses	14,763	-
	First Treet Manufacturing Modaraba		
	Purchase of goods	4,377	4,414
<b>II</b>	<b>Associated undertakings</b>		
	Loads Limited		
	Purchase of goods	-	4,515
	Packages Limited		
	Purchase of goods	67,386	63,363
	ZIL Limited		
	Purchase of goods	261	642
	Wazir Ali Industries Limited		
	Purchase of goods and services	-	150
	IGI Insurance Limited		
	Purchase of services	32,965	10,682
	Bulleh Shah Packaging (Private) Limited		
	Purchase of goods	2,967	-
	Cutting Edge (Private) Limited		
	Purchase of services	2,360	-
<b>III</b>	<b>Post employment benefit plans</b>		
	Superannuation fund		
	Contribution	12,349	12,689
	Gratuity fund		
	Contribution	13,306	13,244
	Provident fund		
	Contribution	15,712	9,148
	Service fund		
	Contribution	5,984	4,378
	Housing Fund		
	Contribution	3,321	1,479

## Notes to the Financial Statements

### 39 Financial instruments

The company has exposures to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

#### 39.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted and arises principally from trade receivables. Out of the total financial assets of Rs. 2,369 million (2012: Rs. 2,441 million), the financial assets which are subject to credit risk amounted to Rs. 2,352 million (2012: Rs. 2,429 million).

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Exports sales are either secured through letter of credit or a foreign bank guarantee is obtained. Majority of the local sales are made to a wholly owned subsidiary of the Company.

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

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

#### (i) Exposure to credit risk

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:

	2013	2012
	(Rupees in thousand)	
Long term investment	1,411,477	1,412,891
Long term loans	10,743	9,262
Long term deposits	10,489	3,966
Trade debts	347,524	492,887
Short term investments	506,653	363,470
Loans, advances, deposits, prepayments and other receivables	16,346	29,413
Bank balance	48,636	117,583
	<b>2,351,868</b>	<b>2,429,472</b>

All the trade debtors at the balance sheet date represent domestic and foreign parties.

The maximum exposure to credit risk before any enhancements for trade debts at the reporting date by type of customer was:

	2013	2012
	(Rupees in thousand)	
- Local parties	277,029	417,684
- Foreign parties	70,495	75,203
	<b>347,524</b>	<b>492,887</b>
The aging of trade debts at the reporting date is:		
Less than 30 days	4,775	300,498
Past due 1 - 3 months	70,495	180,742
Past due 3 - 6 months	-	9,129
Past due 6 - 9 months	-	-
Above one year	272,254	2,518
	<b>347,524</b>	<b>492,887</b>

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

**(ii) Credit quality of major financial assets**

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

## Notes to the Financial Statements

Banks	Rating		Rating Agency	2013	2012
	Short term	Long term			
(Rupees in thousand)					
NIB Bank Limited	A1+	AA-	PACRA	2,041	15,990
Faysal Bank Limited	A1+	AA	PACRA	2,146	24,987
United Bank Limited	A-1+	AA+	JCR-VIS	8,526	1
Habib Bank Limited	A-1+	AA+	JCR-VIS	2,802	7,547
Askari Commercial Bank Limited	A1+	AA	PACRA	93	46
Citibank N.A.	P-2	A3	Moody's	-	612
National Bank of Pakistan	A-1+	AAA	JCR-VIS	559	2,447
Bank of Punjab	A1+	AA-	PACRA	-	5,374
HSBC Bank Middle East Limited	P-1	A1	Moody's	-	2,857
KASB Bank Limited	A3	BBB	PACRA	3	15,141
MCB Bank Limited	A1+	AA+	PACRA	31,614	32,393
Silk Bank Limited	A-2	A-	JCR-VIS	74	10,000
Burj Bank Limited	A-1	A	JCR-VIS	-	4
Samba Bank Limited	A-1	AA-	JCR-VIS	5	184
Bank Alfalah Limited	A1+	AA	PACRA	764	-
BankIslami Pakistan Limited	A1	A	PACRA	5	-
Standard Chartered Bank	A1+	AAA	PACRA	4	-
				<b>48,636</b>	<b>117,583</b>

**39.2 Liquidity risk**

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

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



	2013				
	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
(Rupees in thousand)					
<b>Financial liabilities</b>					
Trade and other payables	431,136	431,136	431,136	-	-
Long term deposits	2,381	2,381	-	2,381	-
Short term borrowings	576,180	576,180	576,180	-	-
Redeemable capital	1,075,251	1,075,251	179,409	897,045	178,214
Accrued mark-up	293,514	293,514	293,514	-	-
	<b>2,378,462</b>	<b>2,378,462</b>	<b>1,480,239</b>	<b>899,426</b>	<b>178,214</b>

	2012				
	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
(Rupees in thousand)					
<b>Financial liabilities</b>					
Trade and other payables	466,265	466,265	466,265	-	-
Long term deposits	2,339	2,339	-	2,339	-
Loan from director	350,000	350,000	350,000	-	-
Short term borrowings	1,690,116	1,690,116	1,690,116	-	-
Accrued mark-up	49,000	49,000	49,000	-	-
	<b>2,557,720</b>	<b>2,557,720</b>	<b>2,555,381</b>	<b>2,339</b>	<b>-</b>

### 39.3 Market risk

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

### 39.4 Currency risk

The Company is exposed to currency risk on import of raw materials and stores and spares and export of goods mainly denominated in US dollars and Euros and on foreign currency bank accounts. The Company's exposure to foreign currency risk for US Dollars and Euros is as follows.

## Notes to the Financial Statements

	2013	2012
	(Rupees in thousand)	
Outstanding letters of credit (US dollars)	488,007	502,283
Outstanding letters of credit (Euros)	20,171	-

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2013	2012	2013	2012
Rupees per USD	97.26	90.53	98.60	94.20
Rupees per Euro	123.68	121.37	129.25	118.50

At reporting date, if the Pakistani Rupees has fluctuated by 10% against the US Dollar with all other variables held constant, post-tax profit would have been higher/ lower by Rs. 7.273 million (2012: Rs. 6.225 million), mainly as a result of net foreign exchange gain/ loss on translation of foreign exchange denominated financial instruments.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / (loss) for the year and assets / liabilities of the Company.

### 39.5 Interest rate risk

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments were as follows:

	2013	2012	2013	2012
	Effective rate (Percentage)		(Rupees in thousand)	
<b>Financial assets</b>				
<i><b>Fixed rate instruments</b></i>				
Bank balances - deposit accounts	6 - 8.25	5 - 12	4,822	109,104
<b>Financial liabilities</b>				
<i><b>Floating rate instrument</b></i>				
Short term borrowings	8.70 - 13.64	12.48 - 15.06	576,180	1,690,116

**Fair value sensitivity analysis for fixed rate instruments**

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

**Cash flow sensitivity analysis for variable rate instruments.**

If interest rates on short term borrowings, at the year end rate, fluctuate by 1% higher/ lower with all the other variables held constant, profit after taxation for the year would have been Rs 6.549 million (2012: Rs 11.336 million) higher / lower, mainly as a result of higher/ lower interest expense on floating rate borrowings.

**39.6 Other price risk**

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

A 10% increase in redemption and share prices at the year end would have increased the Company's profit in case of held for trading investments and increase / decrease surplus on re-measurement of investments in case of 'available for sale' investment as follows:

	2013	2012
	(Rupees in thousand)	
Effect on profit and loss	(50,665)	(36,347)
Effect on equity	(1,250)	(1,391)
Effect on investments	(51,915)	(37,738)

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

**39.6.1 Fair value of financial instruments**

The carrying value of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments carried at fair value are categorized as follows:

- Level 1: Quoted market prices
- Level 2: Valuation techniques (market observable)
- Level 3: Valuation techniques (non-market observable)

## Notes to the Financial Statements

	2013			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
<b>Assets</b>				
Short term investments at fair value through profit or loss	506,653	-	-	506,653
Long term investments available for sale	12,497	-	177,481	189,978
	519,150	-	177,481	696,631
	2012			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
<b>Assets</b>				
Short term investments at fair value through profit or loss	363,470	-	-	363,470
Long term investments available for sale	13,911	-	177,481	191,392
	377,381	-	177,481	554,862

### 39.7 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company'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 behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company'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 Company. This responsibility is supported by the development of overall company 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
- Risk mitigation, including insurance where this is effective

## 39.8 Financial instruments by categories

	Available for sale		At fair value through profit and loss	
	2013	2012	2013	2012
	(Rupees in thousand)			
<b>Financial assets as per balance sheet</b>				
Long term investments	189,978	191,392	-	-
Long term deposits	-	-	-	-
Trade debts	-	-	-	-
Short term investments	-	-	506,653	363,470
Loans, advances, deposits, prepayments and other receivables	-	-	-	-
Bank balances	-	-	-	-
	<b>189,978</b>	<b>191,392</b>	<b>506,653</b>	<b>363,470</b>

	Loans and receivables		Investment at cost	
	2013	2012	2013	2012
	(Rupees in thousand)			
Long term investments	-	-	1,221,499	1,221,499
Long term loans	10,743	9,262	-	-
Long term deposits	10,489	3,966	-	-
Trade debts	347,524	492,887	-	-
Short term investments	-	-	-	-
Loans, advances, deposits, prepayments and other receivables	16,346	29,413	-	-
Bank balances	48,636	117,583	-	-
	<b>433,738</b>	<b>653,111</b>	<b>1,221,499</b>	<b>1,221,499</b>

	Total	
	2013	2012
	(Rupees in thousand)	
Long term investments	1,411,477	1,412,891
Long term loans	10,743	9,262
Long term deposits	10,489	3,966
Trade debts	347,524	492,887
Short term investments	506,653	363,470
Loans, advances, deposits, prepayments and other receivables	16,346	29,413
Bank balances	48,636	117,583
	<b>2,351,868</b>	<b>2,429,472</b>

## Notes to the Financial Statements

	Other financial liabilities	
	2013	2012
<b>Financial liabilities as per balance sheet</b>		
Trade and other payables	431,136	466,265
Loan from director	-	350,000
Long term deposits	2,381	2,339
Short term borrowings	576,180	1,690,116
Accrued mark-up	293,514	49,000
Redeemable capital	1,075,251	-
	<b>2,378,462</b>	<b>2,557,720</b>

### 39.9 Capital risk 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 our business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

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

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

The debt-to-equity ratios as at 30 June 2013 and at 30 June 2012 were as follows:

	2013	2012
	(Rupees in thousand)	
Total debt	1,830,848	1,690,116
Total equity and debt	3,683,402	3,403,722
Debt-to-equity ratio	50%	50%

There were no changes in the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

**40 Operating Segments**

These financial statements have been prepared on the basis of a single reportable segment.

**40.1** Sales from blades represent 99.99% (2012: 100%) of total sales of the Company.

**40.2** Significant sales are made by the Company in the following countries:

	2013	2012
	(Rupees in thousand)	
Pakistan	1,939,895	1,629,120
Iran	5,324	142,287
Saudi Arabia	243,978	221,438
China	145,473	151,327
Bangladesh	186,342	163,559
Jordan	116,593	89,480
Brazil	65,403	38,874
Yemen	52,169	69,232
Morocco	-	16,177
Angola	17,069	36,357
United Arab Emirates	35,966	140,501
Taiwan	18,216	19,742
Vietnam	-	12,338
Egypt	37,509	16,821
Other countries	535,504	73,416
	<b>3,399,441</b>	<b>2,820,669</b>

Sales are attributed to countries on the basis of the customers' location.

**41 Cash generated from operations**

Profit before taxation		215,549	367,929
Adjustments for non cash and other items:			
Finance cost		402,664	240,153
Depreciation on property, plant and equipment	6.1	105,942	89,365
Depreciation on investment property	7	729	750
Provision for gratuity		18,217	13,244
Provision for superannuation fund scheme		15,498	12,689
Profit on bank deposits		(5,031)	(4,902)
Slow moving raw material stock written off		1,193	2,486
Profit on sale of property, plant and equipment		(15,161)	(6,167)
Profit on sale of investment property		(13,650)	-
Provision for WPPF and WWF		15,975	24,635
Unrealized gain on investment at fair value through profit or loss		(120,991)	(3,364)
Transfer to profit and loss account on sale of available for sale long term investments		(40)	(37,691)
Unrealized exchange gain		(1,419)	(1,282)
Dividend income		(140,435)	(83,740)
		<b>263,491</b>	<b>246,176</b>
		<b>479,040</b>	<b>614,105</b>

## Notes to the Financial Statements

	Note	2013 (Rupees in thousand)	2012
<b>Operating profit before working capital changes</b>			
Decrease / (increase) in current assets			
Stores and spares		17,801	(26,705)
Stock-in-trade		(94,959)	(45,612)
Trade debtors		146,782	215,388
Short term investment		(22,192)	(613)
Loans, advances, deposits, prepayments and other receivables		(33,499)	(32,239)
(Decrease) / increase in current liabilities		13,933	110,219
Trade and other payables		(21,144)	88,992
		<b>471,829</b>	<b>813,316</b>
<b>42 Cash and cash equivalents</b>			
Cash and bank balances	16	65,983	129,538
Short term running finance - secured	18.1	(38,595)	(591,266)
		<b>27,388</b>	<b>(461,728)</b>

**43 Earnings per share - basic and diluted**

There is no dilutive effect on the basic earnings per share of the company, which is based on:

		2013	2012
Profit for the year after taxation	<i>Rupees in thousand</i>	218,770	309,988
Weighted average number of shares	<i>Number in thousand</i>	41,822	41,822
Earnings per share	<i>Rupees</i>	5.23	7.41

	Production capacity		Actual production	
	2013	2012	2013	2012
	(Units in millions)		(Units in millions)	
<b>44 Plant capacity and production</b>				
Hyderabad plant	525	525	572	684
Lahore plant	950	750	1,001	969
			<b>1,573</b>	<b>1,653</b>



**45 Date of authorization for issue**

These financial statements were authorized for issue on October 01, 2013 by the Board of Directors of the Company.

**46 General**

**46.1** Corresponding figures have been re-arranged or reclassified wherever necessary, for the purposes of comparison. Significant reclassification for better presentation includes assets amounting to Rs. 9.78 million previously included in non-current asset held for sale now presented under property, plant and equipment.

**46.2** The Board of Directors in their meeting held on 01, October 2013 has proposed a final cash dividend of Rs. 2 per share (2012: Rs. 2 per share) for the year ended 30 June 2013 amounting to Rs. 83.644 million (2012: Rs. 83.644 milion) for the approval of the members at the annual general meeting to be held on 31 October 2013. These financial statements do not reflect this proposed dividend payable.



Syed Shahid Ali  
Chief Executive Officer



Muhammad Shafique Anjum  
Director



## Pattern of Shareholding

As at June 30, 2013

Sr. No.	No. of Shares		Share Holding		No. of Shareholders	No. of Shares
	From	To	CDC	Physical		
1	1	100	308.00	833.00	1,141	41,085
2	101	500	244.00	410.00	654	188,597
3	501	1,000	140.00	132.00	272	228,175
4	1,001	5,000	172.00	178.00	350	843,413
5	5,001	10,000	27.00	39.00	66	484,863
6	10,001	15,000	18.00	6.00	24	295,199
7	15,001	20,000	10.00	8.00	18	322,930
8	20,001	25,000	2.00	4.00	6	135,049
9	25,001	30,000	2.00	2.00	4	108,830
10	30,001	35,000	2.00	1.00	3	96,810
11	40,001	45,000	1.00	2.00	3	124,310
12	45,001	50,000	2.00	1.00	3	140,580
13	55,001	60,000	2.00	-	2	113,860
14	80,001	85,000	1.00	-	1	85,000
15	85,001	90,000	2.00	1.00	3	259,100
16	90,001	95,000	1.00	-	1	91,439
17	95,001	100,000	1.00	-	1	100,000
18	175,001	180,000	1.00	-	1	179,440
19	190,001	195,000	1.00	-	1	190,990
20	320,001	325,000	1.00	-	1	324,615
21	600,001	605,000	-	2.00	2	1,203,460
22	605,001	610,000	-	1.00	1	606,720
23	620,001	625,000	1.00	-	1	622,140
24	1,950,001	1,955,000	1.00	-	1	1,953,500
25	2,000,001	2,005,000	1.00	-	1	2,000,045
26	2,645,001	2,650,000	-	1.00	1	2,645,350
27	2,730,001	2,735,000	1.00	-	1	2,731,000
28	3,470,001	3,475,000	1.00	-	1	3,474,000
29	3,550,001	3,555,000	1.00	-	1	3,550,640
30	5,440,001	5,445,000	1.00	-	1	5,442,060
31	5,495,001	5,500,000	-	1.00	1	5,500,000
32	7,735,001	7,740,000	1.00	-	1	7,739,050
			946	1,622	2,568	41,822,250

## Pattern of Shareholding

As at June 30, 2013

NAME & CATEGORY WISE DETAILS IN ACCORDANCE WITH THE CCG 2012							
	CDC	CDC	Physical	Physical	TOTAL	TOTAL	%
Investment Companies	-	-	-	-	-	-	0.00%
Joint Stock Companies	24	136,036	4	4,220	28	140,256	0.34%
Bank, DFI, Insurance	7	729,957	2	180	9	730,137	1.75%
Foreign Company	-	-	1	5,500,000	1	5,500,000	13.15%
Public Sector	-	-	-	-	-	-	0.00%
Modaraba	-	-	-	-	-	-	0.00%
Individual	901	3,953,095	1,612	2,677,351	2,513	6,630,446	15.85%
IGI Insurance Limited	1	5,442,060	-	-	1	5,442,060	13.01%
NIT	4	5,644,115	-	-	4	5,644,115	13.50%
Loads Limited	1	2,731,000	-	-	1	2,731,000	6.53%
Syed Shahid Ali	3	7,919,610	1	2,645,350	4	10,564,960	25.26%
Dr. Mrs. Niloufer Mahdi	-	-	1	603,170	1	603,170	1.44%
Mrs. Ferial Ali Mehdi	1	1,000	-	-	1	1,000	0.00%
Syed Sheharyar Ali	1	3,474,000	-	-	1	3,474,000	8.31%
Shafique Anjum	-	-	1	25,050	1	25,050	0.06%
Imran Azim	1	50	-	-	1	50	0.00%
Executive	-	-	-	-	-	-	0.00%
Company Secretary	-	-	-	-	-	-	0.00%
Others	2	336,006	-	-	2	336,006	0.80%
	<b>946</b>	<b>30,366,929</b>	<b>1,622</b>	<b>11,455,321</b>	<b>2,568</b>	<b>41,822,250</b>	<b>100.00%</b>

### SHAREHOLDERS HOLDING 5% SHARES

Sr. No.	Name of Shareholder	Shares
1	IGI INSURANCE LIMITED	5,442,060
2	SYED SHAHID ALI	10,564,960
3	ESCANABA LIMITED	5,500,000
4	NATIONAL BANK OF PAKISTAN / NIT	5,644,115
5	SYED SHEHARYAR ALI	3,474,000
6	LOADS LIMITED	2,731,000

INFORMATION UNDER CLAUSE (I) of sub-regulation (XVI) of Regulation 35 of chapter (XI) of listing Regulation of the Karachi Stock Exchange (G) Limited as at 30 June 2013

There is no trading in the shares of the company, carried out by its Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit, their Spouses and minor children.

## Information for Shareholders

### Company's Registered Office/Works

Treet Corporation Limited  
72-B, Industrial Area, Kot Lakhpat, Lahore  
Tel: 042-35830881, 35156567  
Fax: 042-35114127, 35836770

### Share Registrar

M/s Scarlet I.T Systems (Private) Limited  
24-Ferozepur Road, Lahore  
Tel: 042-37087113, 042-37570202  
Fax: 042-37570303

### Listing on Stock Exchanges

Treet Corporation Limited is listed on:  
Karachi Stock Exchange Limited  
Lahore Stock Exchange Limited  
Islamabad Stock Exchange Limited

### Stock Symbol

The stock symbol for dealing in equity shares of Treet Corporation Limited is 'Treet'

### Listing Fees

The Annual listing fee for the Financial Year 2013-2014 has been paid within the prescribed time limit.

### Statutory Compliance

During the year, the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the Listing requirements.

### Share Transfer System

Share transfers received by the Company's Share Registrar are registered within the prescribed period.

### Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote at a general meeting of the Company can appoint another person as his/her proxy to attend and vote on his/her behalf. Every notice calling a general meeting of the Company contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy who ought to be a member of the Company.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the registered office of the Company not less than forty eight hours before the meeting.

Notification of SECP for the purpose of CNIC of Shareholders  
The shareholders are informed that SECP through SRO 779(1)2011 dated August 18, 2011 has made it mandatory that dividend warrants issued by the issuer should bear Computerized National Identity Card (CNIC) numbers of the registered shareholders, except in the case of minor(s) and corporate shareholders. The shareholders are, therefore, requested to provide by mail or fax, photocopy of their CNIC and in case of foreigner, copy of passport, unless it has already been provided.

### Dividend Mandate (Optional)

Transferee of shares may exercise option for dividend mandate by using the revised "Form of Transfer Deed". The revised form of transfer deed will enable the transferees to received cash dividend directly in their bank accounts, if such transferee provides particulars of his/her/its bank account which he/she/it desires to be used for credit of cash dividend. The existing shareholders have the option to seek the dividend mandate by using the standardized "Dividend Mandate Form" if they so desire. Shareholders maintaining shareholding under Central Depository System (CDS) are advised to submit their bank mandate information directly to the relevant participant/CDC Investor Account Service.

### Annual General Meetings

Pursuant to Section 158 of the Companies Ordinance, 1984, The Company holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi, Lahore & Islamabad.

### Financial Information

The Company has uploaded the Annual and Quarterly Accounts on the Company's website.

### Company's Website

Updated information regarding the Company can be accessed at [www.treetonline.com](http://www.treetonline.com). The website contains the latest financial results of the Company together with Company's profile and product range.

## Information for Shareholders

To: All Shareholders of the Company

### COPY OF COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) DULY ATTESTED

As per direction to all listed companies by the Securities and Exchange Commission of Pakistan vide SRO. 779(1)/2011 dated August 18, 2011, the "DIVIDEND WARRANT(S)" should bear the Computerized National Identity Card number of the registered member(s), except in the case of minor(s) and corporate members, and dividend warrant cannot be issued without inserting the CNIC number of the member(s) or its authorized person(s).

For this purpose, please provide us an attested copy of your CNIC (if not provided earlier) ON MOST URGENT BASIS for compliance with the directions of SECP, failing which your future dividend warrant(s), if any, will be withheld till the compliance of the above referred notification.

You must mention your Folio Number and Name of Company on the face of your CNIC copy for identification.

Copy of your CNIC may please be sent to us at Registered Office of the Company.

Yours faithfully,  
For TREET CORPORATION LIMITED



Rana Shakeel Shaukat  
Company Secretary

Notification issued by SECP dated August 18, 2011.

S.R.O. 779(1)/2011. In exercise of the powers conferred by Section 506B of the Companies Ordinance, 1984 (XLVII of 1984), the Securities and Exchange Commission of Pakistan is pleased to direct all the listed companies to issue dividend warrant(s) only crossed as "A/C payee only" in the name of registered member or in the name of authorized person where a registered member authorizes the company to pay dividend on his behalf to any person. The dividend warrant(s) should also bear the Computerized National Identity Card Number of the registered member or the authorized person, except in the case of minor(s) and corporate members.

To: All Shareholders of the Company

#### DIVIDEND MANDATE FORM

Please be informed that under Section 250 of the Companies Ordinance, 1984 a Shareholder may, if so desired, direct the Company to pay dividend through his/her/its bank account.

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan vide Circular No. 18, of 2012 dated June 05, 2012 we request all the registered shareholders of M/s Treet Corporation Limited to authorize the Company, if so desired, to directly credit in their bank account cash dividend, if any, declared by the Company in the future.

[PLEASE NOTE THAT THIS DIVIDEND MANDATE IS OPTIONAL AND NOT COMPULSORY. IN CASE YOU DO NOT WISH YOUR DIVIDEND TO BE DIRECTLY CREDITED INTO YOUR BANK ACCOUNT, THEN THE SAME SHALL BE PAID TO YOU THROUGH THE DIVIDEND WARRANTS]

Do you wish the cash dividend declared by the company, if any, to be directly credited in your bank account, instead receiving the same via dividend warrants?

Please tick " " any of the following boxes.

No

Yes

If "YES", please provide the following information:

Transferee Detail	
Name of Shareholder	
Folio No./CDC ID	
Title of Bank Account	
Bank Account No.	
Bank's Name	
Branch Name and Address	
Cell Phone Number of Transferee	
Landline Number of Transferee, if any	

It is stated that the above mentioned information is correct, and that I will intimate the changes in the above mentioned information to the Company and the concerned Share Registrar as soon as these occur.

-----  
Signature of the Member/Shareholder

Second Fold

Affix Revenue  
Stamp

The Company Secretary  
TREET CORPORATION LIMITED  
72-B Industrial Area, Kot Lakhpat,  
Lahore - Pakistan

First Fold

Third Fold and Tuck In





Second Fold

Affix Revenue  
Stamp

The Company Secretary  
TREET CORPORATION LIMITED  
72-B Industrial Area, Kot Lakhpat,  
Lahore - Pakistan

First Fold

Third Fold and Tuck In



## Treet Keeping Business Liquid

### Head Office:

72-B, Industrial Area, Kot Lakhpat, Lahore - 54770  
Phone: (+92-42) 35830881 - 35156567 - 35122296  
Fax: (+92-42) 35114127 - 35836770



[www.treetonline.com](http://www.treetonline.com)



TREET GROUP OF COMPANIES