

TREET GROUP OF COMPANIES

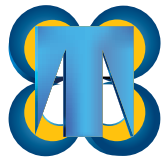
Treet Corporation Limited

Annual Report for the year ended June 30, 2014



we are
Treet...





TREET GROUP OF COMPANIES



we are Treet...

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.

We're all about developing people to excel, to challenge how things are done and to inspire change.

Our Beloved Founder of Treet Group of Companies, Syed Wajid Ali was a leading industrialist of Pakistan who is also known for his services to the Olympic Movement. He became the President of Pakistan Olympic Association in 1978 and stayed on the post for 26 years until he retired in 2004 to become the longest serving President in the history of the association. He is also known for promoting arts and culture as well as Red Crescent movement in Pakistan. In Pakistan, he set up and managed a number of industrial ventures. Among the major projects was a Ford car manufacturing plant, which was subsequently taken over by the Government in 1973 as part of the nationalization process. In his other industrial activities, he remained the chairman of some of the largest enterprises in Pakistan, including Packages Limited, Treet Corporation, ZIL Limited, Loads Limited, and Wajir Ali Industries.



Syed Wajid Ali (Late)
20 December 1911 – 14 June 2008

INSIGHTS TO COMPANY'S FINANCIAL MANAGEMENT

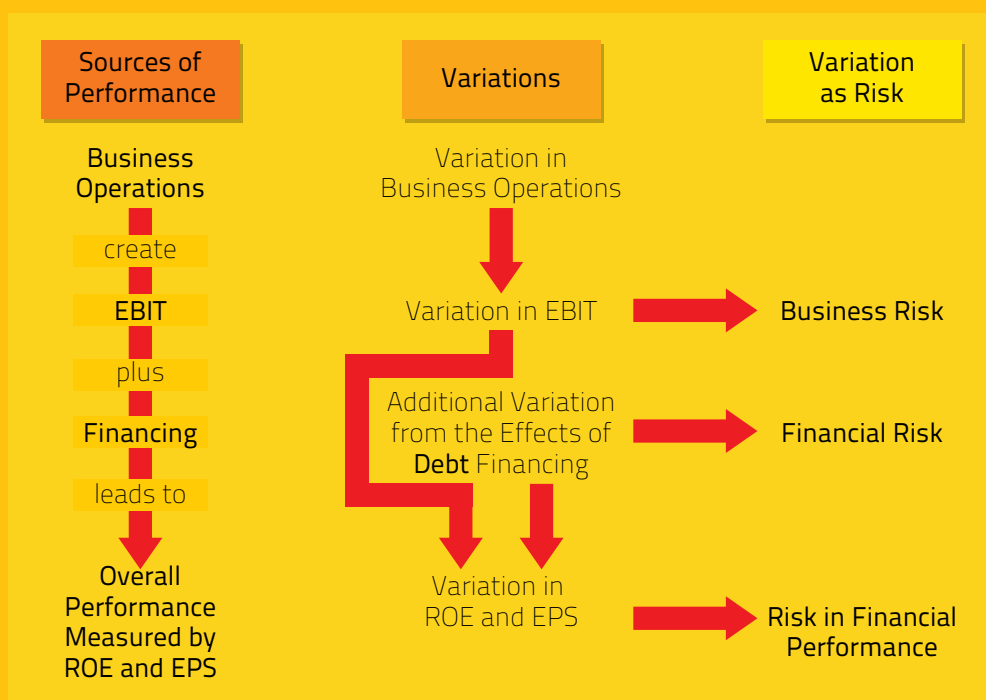
Basic Principles & Premises

Two of the main business concerns are: should a business increase or reduce the number of units it is producing or should it rely more or less heavily on borrowed money? The answer depends upon how a change would affect risk and return.

Leverage is used to explain a firm's ability to use fixed-cost assets or funds to magnify the returns to its owners. Leverage exists whenever a company has fixed costs. There are three types of leverage in financial management: operating, financial, and total leverage.

- Operating leverage is based on the relationship between a firm's sales revenue and its earnings before interest and taxes. Operating leverage arises when an enterprise has a relatively large amount of fixed costs in its total costs.
- Financial leverage is a financial technique that uses borrowed funds or preferred stock (items involving fixed financial costs) to improve the return on an equity investment. As long as a higher rate of return can be earned on assets than is paid for the capital used to acquire the assets, the rate of return to owners can be increased. This is referred to as positive financial leverage. Financial leverage is concerned with the relationship between the firm's earnings before interest and taxes (EBIT) and the earnings available to shareholders (ordinary) or other owners. Financial leverage is often referred to as "trading on the equity."
- Total leverage reflects the impact of operating and financial leverage on the total risk of the firm (the degree of uncertainty associated with the firm's ability to cover its fixed-payment obligations).

Characteristic of Leverage is: *When Market conditions are good, it is very very good but when market conditions are gloomy, it is worst*



Our Philosophy:

- Usually borrowings are Interest Based which in turn is linked to KIBOR which is very volatile. Currently, KIBOR rates are declining due to expansionary monetary policy of the State Bank of Pakistan [short term effect]. But it will ultimately aggravate inflationary pressures which in turn will push nominal interest rates high [long term effect];
- Our Tax System favors interest-based securities for financing;
- Our Country has basic structural issues [social, economic and political] which make our business environment very volatile [i.e. high business risk].

Thus, in a volatile business environment, operating at both types of leverages can be risky, particularly where financial leverage is unrelated to business outcome. Thus our ultimate purpose is to replace existing borrowing structure with more flexible financial product which should have following features:

- Flexible like shares i.e. linked to profitability
- Tax efficient for both investors and for the Company
- Tradability and hence liquidity
- Repayment of principal i.e. debt
- Creating value for the shareholders
- Shariah Compliant
- Win-Win position for both investors in the form of good return & for the Company in the form of flexibility



To augment our financial management philosophy, we are constantly working on various financial products that meet the above criteria. Your Company takes pride in introducing and issuing first listed Participation Term Certificate (TCLTC) with many distinctive features.



Management of your Company believes that such financial restructuring will contribute towards increased profitability which will ultimately translate into increased shareholders value.

Capital market for debt instruments is not developed in Pakistan. There are issues for the investors and for the Company as well. Trading activity (and hence liquidity) is quite dull. Your Company fully analyzed the situation and developing various financial products to redress these issues.

Conventional debt instruments are traded on Bond Automated Trading System (BATS) and issued in multiple of Rs. 5,000/- with certain minimum investment threshold (that straddles between Rs. 10,000/- to Rs. 25,000/-). Moreover, they are either

based on KIBOR or are Fixed Return based. Three things are important for trading:

1. **Difference in Expectation:** Trading is not possible if expectation of buyer and seller is same. KIBOR is very much predictable in the short run. If decline in KIBOR is expected, everyone will be buyer and vice versa. We have embedded profitability factor in the structure. Some investors would have positive bet on the Company's profitability and someone would have otherwise so trading would be possible.
2. **Start Investing with Minimum of Rs. 40/- :** Face value of Bond will be Rs. 40/- (as face value of TCLTC was Rs. 30/-) with lot size just One Bond. This will broaden the investors' base and facilitate the common person's participation.
3. **Bond will be traded just like share:** Bond (just like TCLTC) will be traded on the following stock exchanges:
 - a. KSE - Karachi Automated Trading System (KATS)
 - b. LSE - Unified Trading System (UTS)
 - c. ISE -Unified Trading System (UTS)

Trading rules applicable to shares will apply to Bonds (as like TCLTC) as well apart from availability of market maker.



Information System & Control

Management of the Company believes that they are responsible for providing accurate financial information, both externally and internally. The control environment is the foundation for the other components of internal control. It is the attitude set by management regarding the importance of establishing and maintaining control.

The Company wishes to improve the control of production, reduce inventories and improve customer service in order to achieve ultimate goal to create value for its stake-holders (i.e. consumers, share-holders, employees etc.).

The management of the company is committed to implementing, and maintaining a documented quality system. This commitment includes;

- ensuring that customer, regulatory and legal requirements are understood and appropriately addressed;
- the quality policy is understood and implemented at all levels of the organization, quality objectives and plans are established as necessary and that
- the responsibilities of all functions affecting quality are clearly defined;
- provision of the necessary resources and personnel to maintain the system, including a management representative, who will ensure that the requirements of quality assurance are met.
- management reviews of the system on annual basis to determine its effectiveness.

Administrative Procedures & Control

To ensure that the plans of organization and all methods and procedures that are concerned mainly with operational efficiency and adherence to managerial policies, that relate only indirectly to the financial records, are continuously updated and functional; and to ensure that Administrative Controls, which includes such controls as physical safeguarding of assets, time and motion studies, performance reports, employee training programs, and organizational controls etc. are operational.

Succession Policy & Planning for Management Staff

Since change is inevitable for any organization and can be a very challenging at times, it is mainstay policy of the company to be proactive for any change in managerial talent too – either planned or unplanned – to ensure the stability and accountability of the organization until such time as new permanent talent is identified. The company believes in the process of systematically identifying, assessing, and developing employee talent to meet the future staffing needs of the organization. The board of directors (through Human Resource & Remuneration Committee) shall be responsible for implementing this policy and its related procedures.

Pricing Policy & Guideline

The objective of the Pricing Policy is to facilitate a fair value exchange between the Company and its customers and to facilitate their buying decision. The pricing structure also addresses the realities of businesses today and helps to embark forecasted path to achieve ultimate mission

inspiring change...

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Successful people maintain a positive focus in life no matter what is going on around them. They stay focused on their past successes rather than their past failures, and on the next action steps they need to take to get them closer to the fulfillment of their goals rather than all the other distractions that life presents to them

Business Review

About Treet Group

Treet Corporation Limited

TCL was incorporated in January 1977 as a Public Limited Company and is listed on all the three stock exchanges of the country. Treet Group of Companies (TGC) is principally engaged in the manufacturing & sale of blades, soap, corrugated packaging, paper & board and motor bikes. The Head Office is in Lahore while the manufacturing units are located in Sheikhpura, Lahore, Gujranwala and Hyderabad districts.

Treet Group of Companies (TGC) is a consortium of six entities with Treet Corporation Limited (TCL) as the Holding Company. TGC has been operating for more than 55 years and exports to over 35 markets globally. The group's on-going efforts to diversify product line with measured expansion in current business segments has kept the business risk under check and remains a key rating factor.

In an effort to reduce financial risk, the TGC has rationalized debt levels by issuing convertible Participation Term Certificates (TCLTC) of Rs. 1.25b in Oct,'12. Resultantly, short-term debt reduced to Rs. 0.58b (FY12: Rs.

1.69b) at end-FY13. The company was compliant with all financial covenants incorporated in the TCLTC structure during FY13. These included maintaining debt service coverage, gearing and current ratio within predefined levels.

Recently, the board has approved another Redeemable Capital Instrument i.e. Treet Perpetual Bond "Bond" issue of Rs. 510.2m which will be offered to existing shareholders in the ratio of one Bond against four ordinary shares.

Moreover, TCL has recently raised funds of Rs. 501.9m through a 15% right issue. The proceeds from above mentioned issues will be utilized primarily for financing production expansion, working capital requirements and repayment of borrowings etc.

Total debt of the TGC (excluding convertible portion of TCLTC) amounted to Rs. 0.62b (FY12: Rs. 2b) at end-FY13. The Company utilized proceeds from TCLTC issue to retire short-term borrowings which were substantially reduced during FY13. The said reduction had a favorable impact

on FFO to debt (excluding convertible portion of TCLTC) which stood higher at 0.34x at end-FY13 (FY12: 0.22x). Current ratio showcased improvement and stood at 1.91x (FY12: 1.14x) at end-FY13. The Company carries short-term debt to the tune of Rs. 0.6b of which 93% represented export refinance facilities availed from various banks. Debt leverage and gearing showcased improvement with expanding equity base and lower debt levels. The expansion in equity base through rights issue and mandatory equity conversion feature of TCLTC is expected to improve the leverage indicators of the company further, going forward. Debt service coverage ratio remains comfortable at 2.33x (FY12: 2.87x). However, with the decrease in debt levels, coverage ratio is expected to strengthen.

Rating:	
Entity	AA-/A-1
TCLTC	AA
Bond *	A+
Outlook	Stable
JCR-VIS Credit Rating Company Limited – Report Issued on April 18, 2014	
*Under approval of SECP	



Focusing on our strengths

Sales of the group grew considerably by 18.61% to Rs. 7.1b (FY13: Rs. 5.9b) in FY14 in comparison to a 4% increase in the prior year.



Blades sales, which account for more than half of the group's revenue base, showed good growth in the local market and excellent growth in export markets that reached Rs. 2.0b (FY13: Rs. 1.4b).

Overall gross margins declined to 20.17% (FY12: 22.4%) on account of rising electricity tariffs, fuel costs as well as inflationary impact on salaries and wages.

TGC has various plans for diversification (educational project, paper & board mill within house power generation etc.).

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

Dr. Mrs. Niloufer Mahdi	Chairperson
Syed Shahid Ali	Chief Executive Officer
Syed Sheharyar Ali	
Mr. Imran Azim	(Nominee National Investment Trust)
Mr. Munir K. Bana	(Nominee Loads Limited)
Mr. Saulat Said	
Muhammad Shafique Anjum	
Mr. Khurram Raza Bakhtayari	(Nominee IGI Insurance Limited)

BOARD AUDIT COMMITTEE

Mr. Imran Azim	Chairman
Syed Sheharyar Ali	Member
Mr. Munir K. Bana	Member
Mr. Khurram Raza Bakhtayari	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Syed Sheharyar Ali	Chairman
Mr. Munir K. Bana	Member
Mr. Imran Azim	Member
Muhammad Shafique Anjum	Member
Mr. Amir Zia	Member
Mr. Jehangir Bashir	Member
Rana Shakeel Shaukat	Secretary

CHIEF FINANCIAL OFFICER

Mr. Amir Zia

COMPANY SECRETARY

Rana Shakeel Shaukat

HEAD OF INTERNAL AUDIT

Muhammad Ali

EXTERNAL AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants
Lahore.

INCOME TAX CONSULTANTS

Kreston Hyder Bhimji & Co.
Chartered Accountants
Lahore.

LEGAL ADVISORS

Salim & Baig, Advocates - Lahore.

CORPORATE ADVISORS

Cornelius, Lane & Mufti Legal Advisors & Solicitors - Lahore.

SHARIAH ADVISOR

Mufti Iftikhar Baig (Only for First Treet Manufacturing Modaraba)

BANKERS

Al Baraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
BankIslami Pakistan Limited
Barclays Bank PLC, Pakistan
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
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
SilkBank Limited
United Bank Limited

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: 042-37426144
 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

Global Arts Limited (Treet Services 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



Dr. Mrs. Niloufer Mahdi

Chairperson/Director

Dr. Mrs. Niloufer Mahdi belongs to one of the top industrialist families of Pakistan. She is the daughter of the late Syed Wajid Ali. She holds BA (Hons), MA, M.Litt, and D.Phil. degrees from Oxford University.

She owns and is the editor of an independent English-language weekly paper being published from Lahore, namely, "Cutting Edge".

Her portfolio includes:-

- Treet Corporation Limited. Director
- Cutting Edge (Pvt.) Limited. Owner
- Convener, Gulab Devi Chest Hospital, Kasur.
- Chairman, All Pakistan Music Conference.



Syed Shahid Ali

Chief Executive Officer

Holding a Masters degree in economics, a graduate diploma in development economics from Oxford University and a graduate diploma in management sciences from the University of Manchester, Syed Shahid Ali became Chief Executive Officer for the Treet Group in 1995. Apart from holding directorships in various companies, he is also actively involved in social and cultural activities and holds senior positions on several hospitals.

His portfolio includes:-

- Treet Corporation Limited
- Packages Limited
- IGI Insurance Limited
- Treet Power Limited
- Treet Assets (Pvt.) Limited
- First Treet Manufacturing Modaraba
- Gulab Devi Chest Hospital.
- Global Arts Limited (Formerly Treet Services Limited)
- Loads Limited
- Multiple Autoparts Industries (Pvt.) Limited
- Specialized Autoparts Industries (Pvt.) Limited



Syed Sheharyar Ali

Director

After returning from Saint Louis University, USA in 2001, Syed Sheharyar Ali became one of the youngest directors of Treet Corporation Limited. Currently at the age of 36 he manages a very diversified portfolio consisting of manufacturing, healthcare, information technology, automobiles, sports and music.

His portfolio includes:-

- Treet Corporation Limited. Director
- Treet Power Limited. Director
- Treet Assets (Pvt.) Limited. Director
- First Treet Manufacturing Modaraba. Director
- Global Arts Limited (Formerly Treet Services Limited). Director
- Loads Limited. Director
- Multiple Autoparts Industries (Pvt.) Limited. Director
- Gulab Devi Chest Hospital, Kasur. Director
- Specialized Autoparts Industries (Pvt.) Limited. Director
- Specialized Motorcycle (Pvt.) Limited
- "Cutting Edge" (Pvt.) Limited. Director
- Online Hotel Agents (Pvt.) Limited. Chief Executive Officer
- Frag Games (Pvt.) Limited. Director
- Punjab Netball Federation. President
- All Pakistan Music Conference. Vice President



Mr. Imran Azim

Director

Mr. Imran Azim brings more than a two-decade experience with him to the board of Treet. His experience includes work in one of the largest financial institutions, asset management and manufacturing companies.

His portfolio includes:-

- Treet Corporation Limited. Director
- Habib Asset Management Limited. Director
- Fecto Sugar Mills Limited. Director
- Haroon Oil Mills Limited. Director



Mr. Munir K. Bana

Director

A fellow of the institute of Chartered Accountants of Pakistan, Mr. Munir K. Bana has experience of working with some of the best national and multinational companies in Pakistan. He was one of the longest serving finance directors, for 18 years, at Boots formally known as Parke-Davis. Mr. Bana was also appointed as Chairman in 2005, by the Prime Minister of Pakistan of a public-private partnership, Karachi Tools, Dyes and Mold center. He is also the current Chairman of Pakistan Association of Automotive Parts and Accessories (PAAPAM).

His portfolio includes:-

- Treet Corporation Limited. Director
- Multiple Autoparts Industries (Pvt.) Limited. Director
- Specialized Autoparts Industries (Pvt.) Limited. Director
- Specialized Motorcycles (Pvt.) Limited. Director
- Loads Limited. Director
- Orient Trading Co. (Pvt.) Limited. Director
- Loads Assets (Pvt.) Limited. Director



Mr. Saulat Said

Director

Mr. Saulat Said has been involved with some of the largest and oldest names in businesses in Pakistan with experience exceeding 35 years. He was General Manager, Packages and CEO of IGI before joining the Loads group.

His portfolio includes:-

- Treet Corporation Limited. Director
- Multiple Autoparts Industries (Pvt.) Limited. Director
- Specialized Autoparts Industries (Pvt.) Limited. Director
- Specialized Motorcycles (Pvt.) Limited. Director
- Loads Limited. Director
- Loads Assets (Pvt.) Limited. Director



Muhammad Shafique Anjum

Director / Chief Operating Officer - (Treet Corporation Limited)

Mr. Anjum has been with the Treet Group for over 35 years. With a Mechanical Engineering degree, he has a vast experience in the razor blades and the allied product manufacturing field.

His portfolio includes:-

- Treet Corporation Limited.
- Treet Power Limited.
- Treet Assets (Pvt.) Limited.
- First Treet Manufacturing Modaraba.
- Global Arts Limited (Formerly Treet Services Limited).
- TCL Labor-Hire Company (Pvt.) Limited.



Mr. Khurram Raza Bakhtayari

Director

Mr. Khurram Raza Bakhtayari, a chartered accountant by profession and a fellow of the Institute of Chartered Accountants of Pakistan is the newest member on the Treet board. He has over 10 years of experience in the field of corporate finance, accountancy, treasury, auditing and corporate affairs.

His portfolio includes:-

- Packages Limited.
- Bulleh Shah Packaging (Pvt.) Limited.
- DIC Pakistan Limited.
- Maxim International (Pvt.) Limited.

Top Management

*"Children imitate their parents,
employees their managers."
Amit Kalantri*



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



Mr. Muhammad Shafique Anjum
Chief Operating Officer
(Treet Corporation Limited)



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



Mr. Amir Zia
Group Chief Financial Officer



Mr. Muhammad Saleem
General Manager



Mr. Feroz Hassan Khan
Export Marketing Manager



Mr. Javaid Aslam
DGM-D/R



Mr. Tariq Aziz
DGM-D/E



Mr. Hussain Yousuf
Groups Chief Information Officer

The Management

"If you fulfill the wishes of your employees, the employees will fulfill your visions." Amit Kalantri



Mr. Moazzam Hussain
Chief Accountant
(Treet Corporation Limited)



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



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



Rana Shakeel Shaukat
Group Company Secretary



Muhammad Ali
Head of Internal Audit



Mr. Mobeen Akhtar
DGM-Corrugation



Syed Ali Zulqarnain Bukhari
Manager Sales & Marketing-
Corrugation



Mr. Ihsan Gill
Manager Commercial



Mr. Muhammad Shabbir Ahmed
General Manager Sales (Bike)



Mr. Rana Waqar Ahmed
Manager Legal Affairs



Mr. Jawad Ahmed
Treasury Manager



Mr. Jamil Malik
System Administrator



Mr. Imran Ahmed Rana
Manager QMS & MR



Mr. Jahangir Bashir
Assistant Manager HR



Mr. Ali Raza
Manager Operations-Bikes



Mr. Israr ul Haq
Production Manager-Soap

Our Team



"The strength of the team is each individual member. The strength of each member is the team." Phil Jackson



"Coming together is a beginning; keeping together is progress; working together is success". Henry Ford

Guidelines To Business Conduct



Employees

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

Business Partners

- Avoid conflict of interest and identify situations where they may occur.
- Do not accept or give gifts, favors, or entertainment if it will appear to obligate the person who receives it.
- Use and supply only safe, reliable products and services.
- Respect our competitors and do not use unfair business practices to hurt our competition.

- Do not have formal or informal discussions with our competitors on prices, markets or products, or production or inventory levels.
- Manufacture and produce products according to contract specifications.
- Market our products and services in an honest and fair manner.
- Do not compromise our values to make a profit.

Business Resources

- Do not use inside information about the Treet Group for personal profit. Do not give such information to others.
- Do not use Treet Group resources for personal gain or any non-business purpose.
- Protect confidential and proprietary information.
- Do not use Treet Group's 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 Treet Group).

Communities

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



Corporate Social Responsibility

Treet Group

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

Treet Group

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

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

Customers

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

Our People

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

Products and Services

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

Suppliers

We view suppliers of goods and services as an extension of our **Treet Group**, with whom we wish



to develop long term trusting relationships. We expect our suppliers to embrace our quality improvement philosophy in their dealing with us.

Shareholders

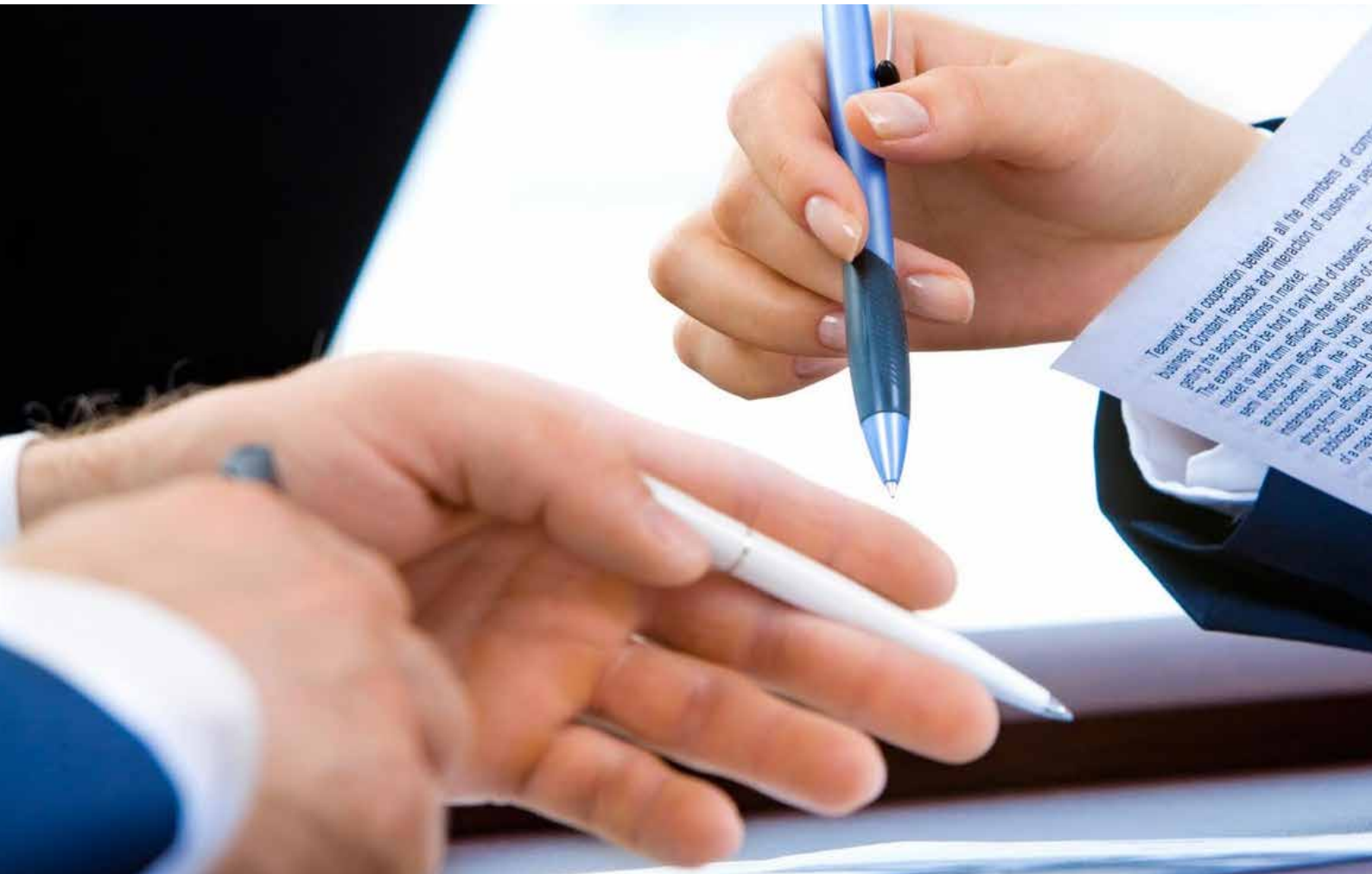
We aim to be an organization in whom our shareholders have trust and pride. We will keep our shareholders properly informed of our **Treet Group's** performance and prospects. We recognize the need to provide our shareholders with an excellent return on investment, consistent with long term growth.

Planning

All short term decisions will be consistent with long term objectives that balance the needs of our



Corporate Social Responsibility



"I don't know where we should take this company, but I do know that if I start with the right people, ask them the right questions, and engage them in vigorous debate, we will find a way to make this company great."
Jim Collins

people, customers, suppliers and shareholders. Each year these objectives will be widely communicated within our Treet Group.

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 neighbour, and will continue to support community affairs.

Health, Safety and Environment Policy

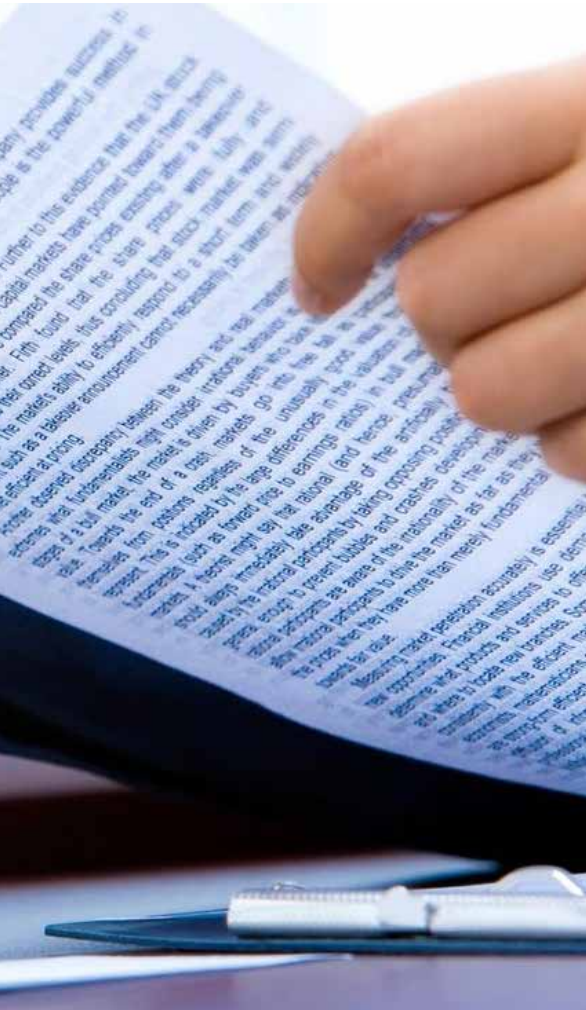
Treet Group policy is to;

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. Global Arts Limited [GAL] (formerly Treet Services Limited)

- a. Your Company has changed

the status of the Company to Public Limited Company and thereafter has changed the name of the Company to "Global Arts Limited". Objects clauses are also changed to promote, establish, run manage and maintain, educational institutions, colleges of arts, research, sciences, information technology and business administration; higher level schools, academics, technical training centers and such other educational institutions as may be considered appropriate for the promotion and advancement of education in the country with national and international affiliations to acquire the services of professors, associate professors, lecturers, teachers, managements skills and other professional from within the country and



abroad as would be needed to run and promote educational institutions set up by the Company subject however, to the permission of competent authority but not to operate itself as a university and not to act as a degree awarding institution;.

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, Ferozepur Road, Lahore

Paper & Board Mill:

33-KM Lahore-Sheikhupura Road, Sheikhupura

Import House/warehouse:

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

Soap Factory:

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

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%
Global Arts Limited (formerly Treet Services Limited)	-	100.00%
Treet Power Limited	-	100.00%

Financial Highlights

“Always deliver more than expected.” —Larry Page, Google co-founder

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.

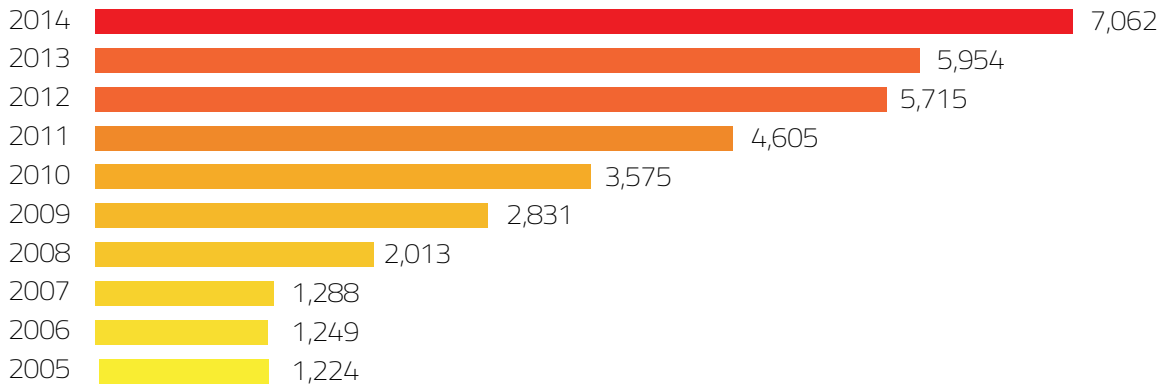
“Diligence is the mother of good luck.” —Benjamin Franklin

The results

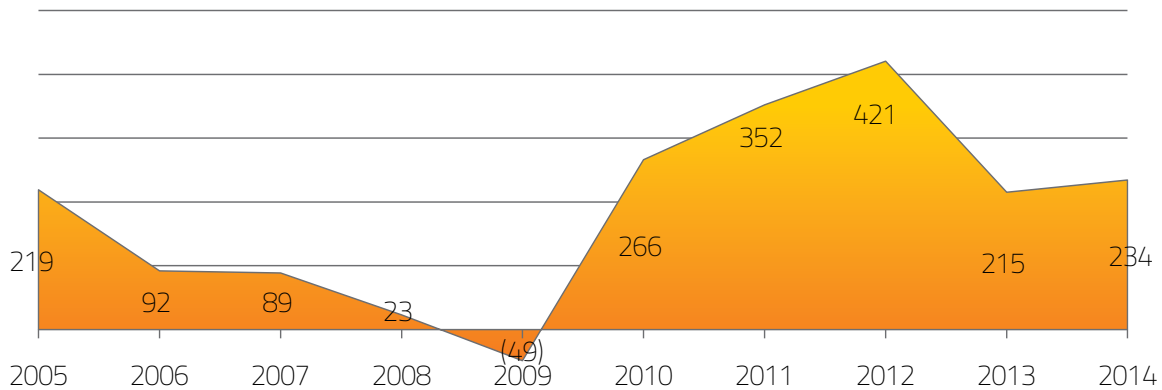


- Record financial performance
- Strong balance sheet
- Exciting visible growth

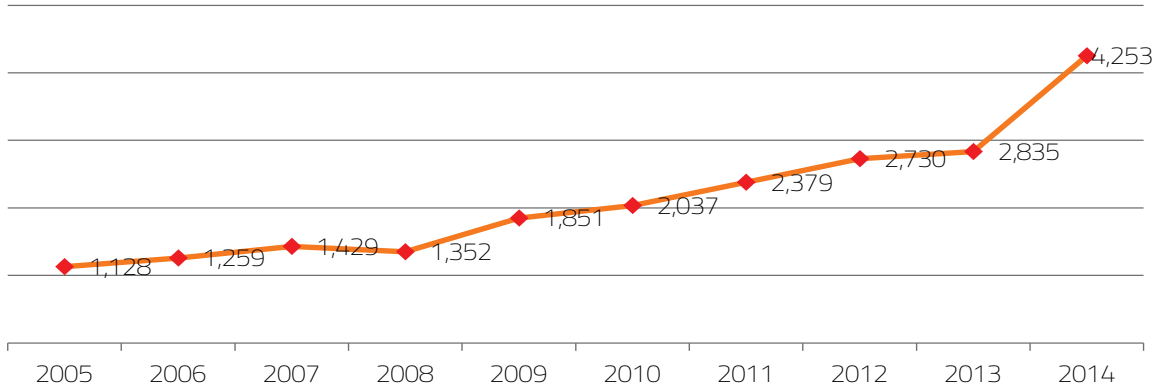
Sales Trend



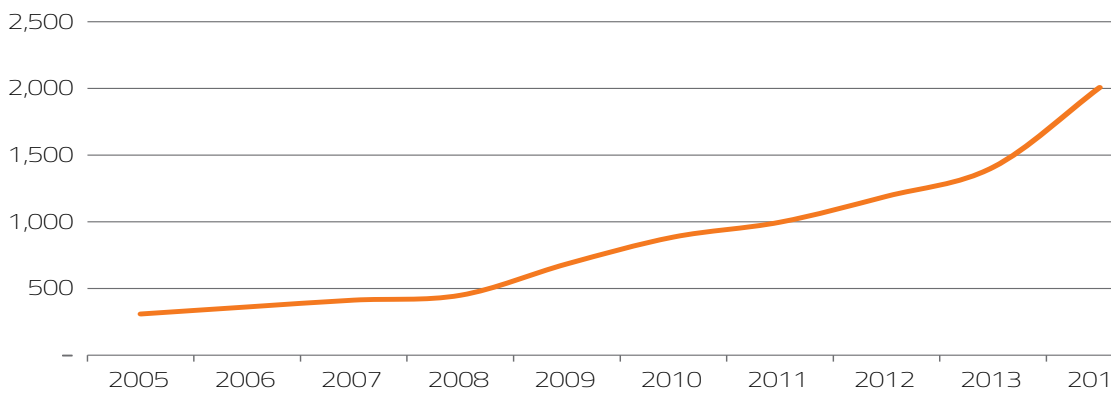
Net Profit After Tax



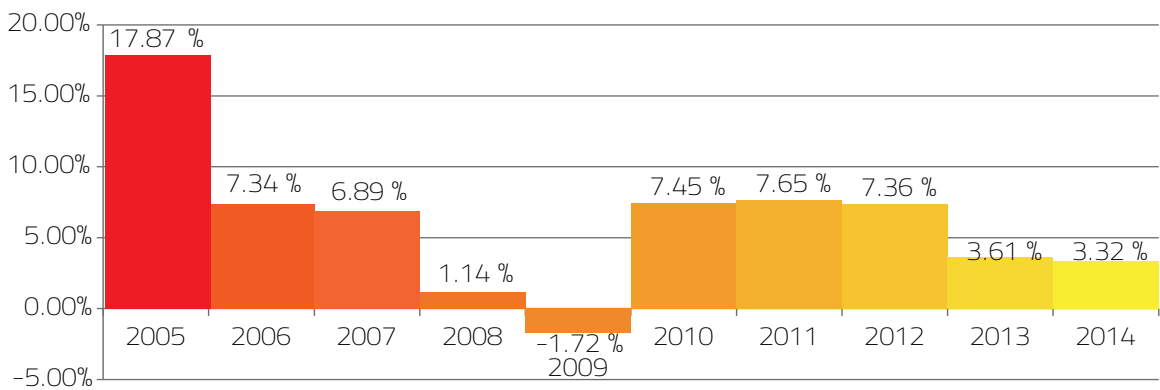
Shareholders' Equity + Revaluation Surplus



Export

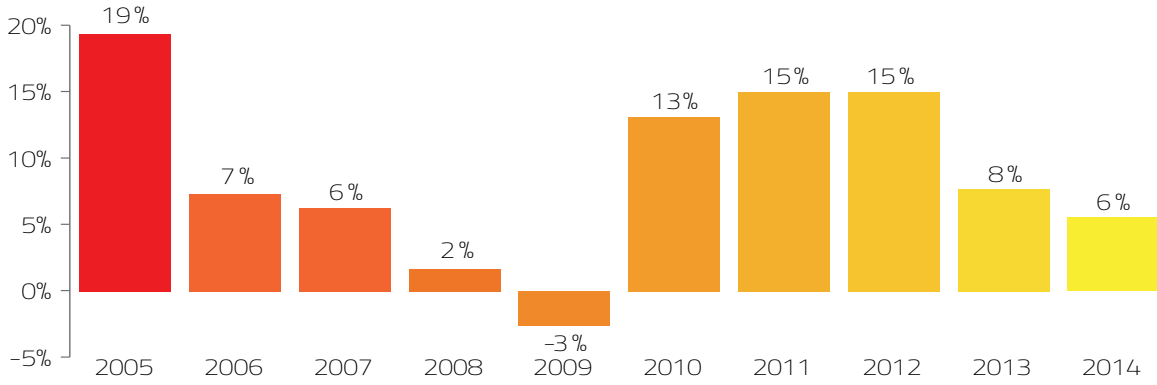


NPAT %

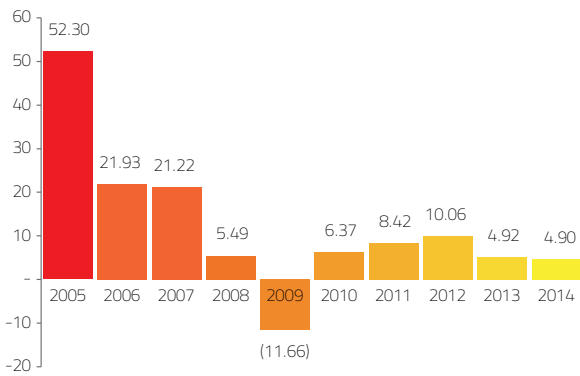


Financial Highlights

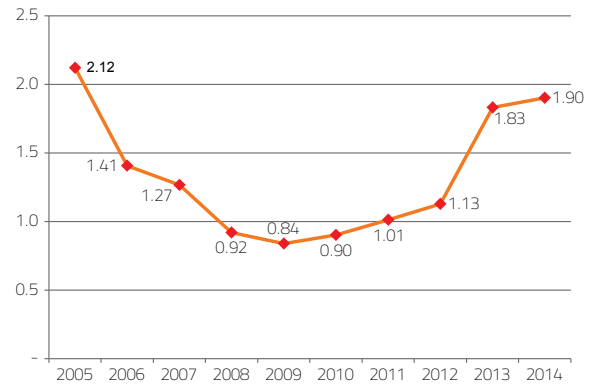
ROE



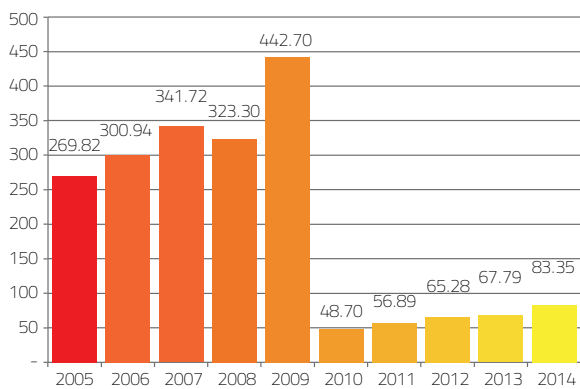
EPS



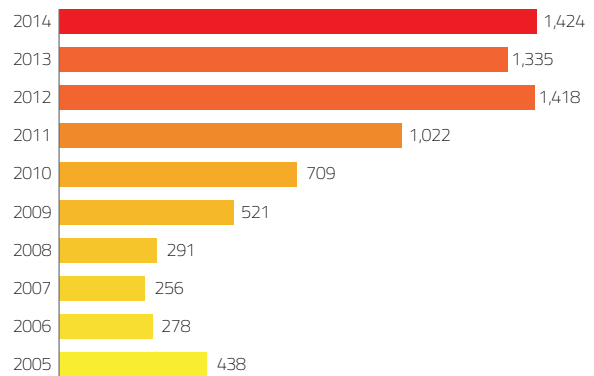
Current Ratio



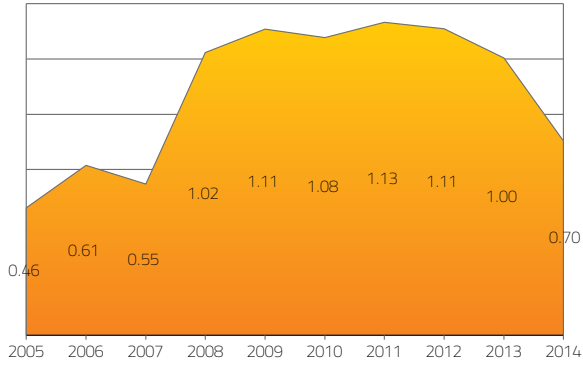
Book Value per Share (Including Revaluation Surplus)



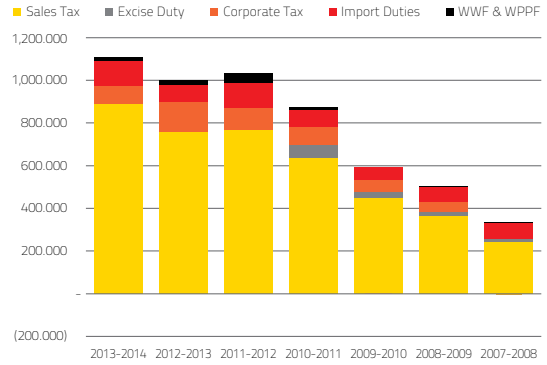
Gross Profit



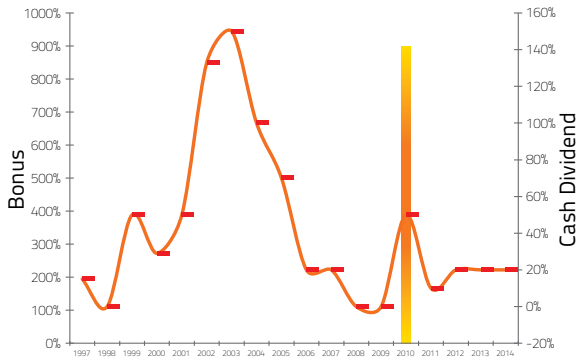
Total Liabilities to Equity



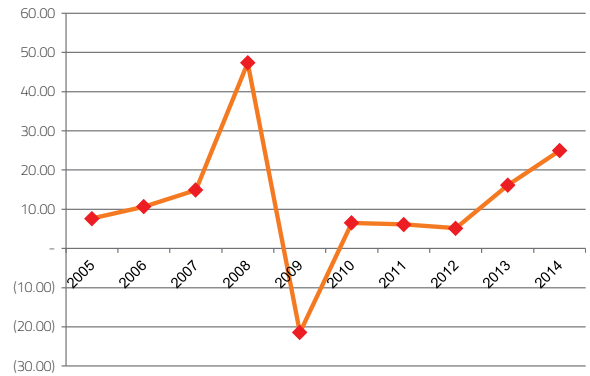
Contribution to Exchequer



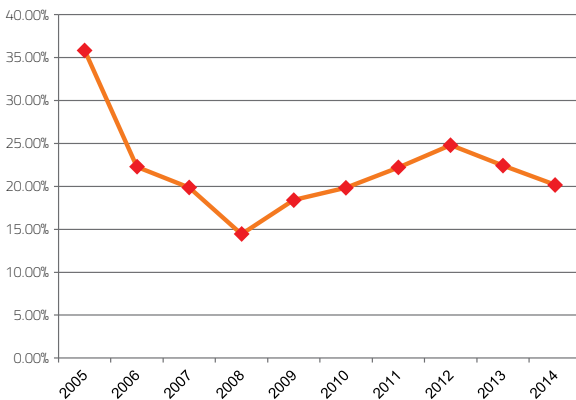
Bonus and Cash Dividend



P/E Ratio

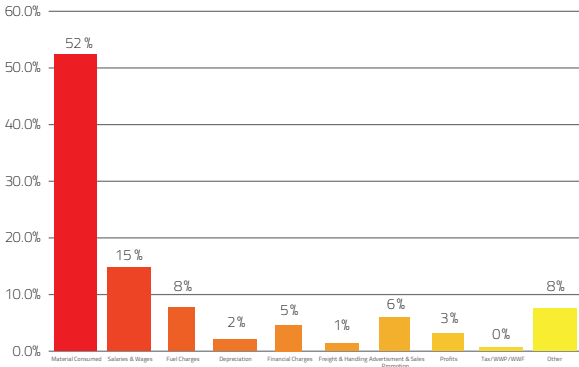


GP Margin %

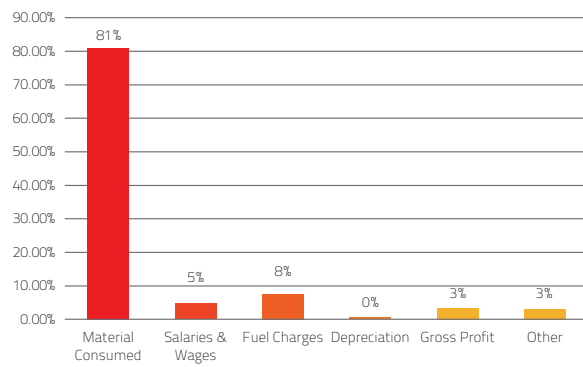


Financial Highlights

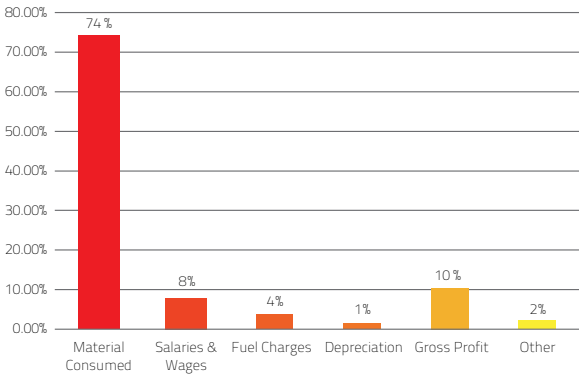
Revenue Distribution-Consolidated



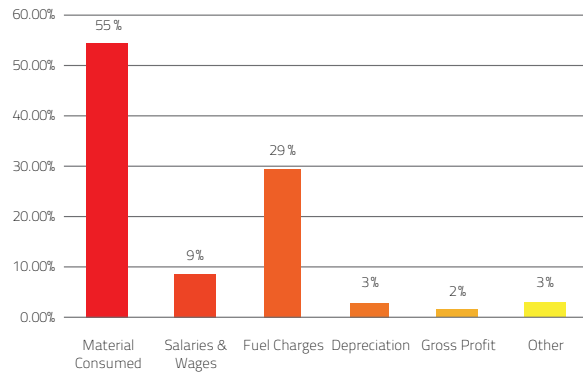
Soap



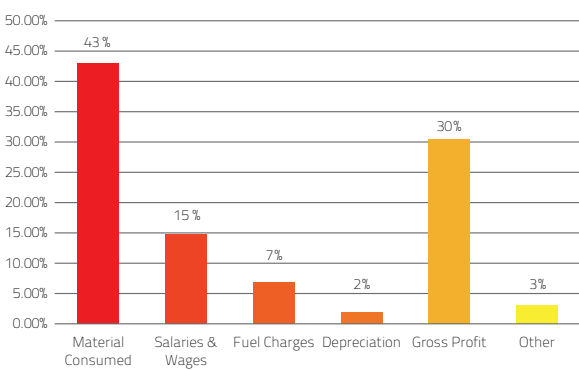
Corrugation



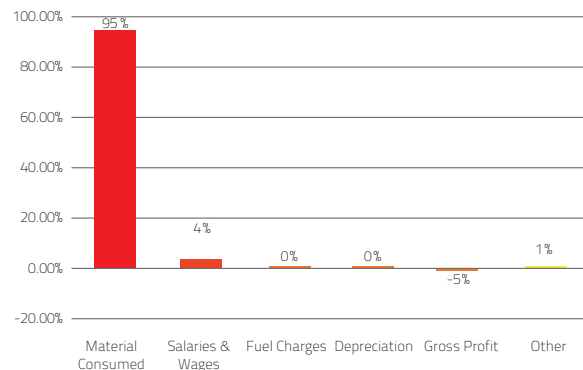
Paper & Board



D/E + Bonded



Motor Bike



"I'm not interested in possible complexities. I regard song structure as a graph paper".

Brian Eno

Key Operating Financial Data

Rs. in 000	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Sales	7,062,133	5,953,868	5,715,274	4,605,309	3,574,921	2,830,565	2,012,941	1,288,155	1,248,908	1,223,935
Export Sales	2,007,813	1,409,699	1,191,549	997,593	886,032	684,688	449,572	413,219	362,053	309,188
Gross Profit	1,424,316	1,334,803	1,417,538	1,021,919	709,028	520,888	290,816	255,862	278,222	438,435
Profit before Taxation	246,522	226,047	489,777	465,230	281,535	(10,493)	32,340	102,261	101,201	287,344
Profit after Taxation	234,561	215,040	420,535	352,166	266,341	(48,763)	22,957	88,733	91,726	218,743
Shareholders' Equity + Revaluation Surplus	4,252,574	2,835,222	2,730,197	2,379,063	2,036,603	1,851,453	1,352,119	1,429,131	1,258,609	1,128,438
Fixed Assets - Net	3,081,461	2,289,494	2,163,046	2,073,552	2,148,004	1,975,012	1,095,561	871,003	678,552	347,448
Total Assets	7,245,375	5,682,361	5,757,710	5,074,379	4,230,548	3,903,684	2,735,425	2,212,719	2,032,245	1,649,520
Total Liabilities	2,992,801	2,847,139	3,027,513	2,695,316	2,193,945	2,052,231	1,383,306	783,185	773,636	521,082
Current Assets	3,878,446	3,137,969	3,324,703	2,641,681	1,920,089	1,653,905	1,238,574	958,036	1,044,803	1,091,205
Current Liabilities	2,040,193	1,714,197	2,948,945	2,610,174	2,132,211	1,974,534	1,346,486	756,760	743,630	514,882
Cash Dividend	20%	20%	20%	10%	50%	0%	0%	20%	20%	70%
Stock Dividend	0%	0%	0%	0%	900%	0%	0%	0%	0%	0%
Shares Outstanding	51,023,144	41,822,250	41,822,250	41,822,250	41,822,250	4,182,225	4,182,225	4,182,225	4,182,225	4,182,225

Important Ratios	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Profitability										
Gross Profit	20.17%	22.42%	24.80%	22.19%	19.83%	18.40%	14.45%	19.86%	22.28%	35.82%
Profit before Tax	3.49%	3.80%	8.57%	10.10%	7.88%	-0.37%	1.61%	7.94%	8.10%	23.48%
Profit after Tax	3.32%	3.61%	7.36%	7.65%	7.45%	-1.72%	1.14%	6.89%	7.34%	17.87%
Return to Equity										
Return on Equity before Tax	5.80%	7.97%	17.94%	19.56%	13.82%	-0.57%	2.39%	7.16%	8.04%	25.46%
Return on Equity after Tax	5.52%	7.58%	15.40%	14.80%	13.08%	-2.63%	1.70%	6.21%	7.29%	19.38%
Earning per Shares	4.90	4.92	10.06	8.42	6.37	(11.66)	5.49	21.22	21.93	52.30
Liquidity/Leverage										
Current Ratio	1.90	1.83	1.13	1.01	0.90	0.84	0.92	1.27	1.41	2.12
Break-up Value per Share	83.35	67.79	65.28	56.89	48.70	442.70	323.30	341.72	300.94	269.82
Total Liabilities to Equity	0.70	1.00	1.11	1.13	1.08	1.11	1.02	0.55	0.61	0.46

% Change	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Sales	18.61%	4.17%	24.10%	28.82%	26.30%	40.62%	56.27%	3.14%	2.04%	18.21%
Export Sales	42.43%	18.31%	19.44%	12.59%	29.41%	52.30%	8.80%	14.13%	17.10%	43.53%
Gross Profit	6.71%	-5.84%	38.71%	44.13%	36.12%	79.11%	13.66%	-8.04%	-36.54%	12.32%
Profit before Taxation	9.06%	-53.85%	5.28%	65.25%	-2783.07%	-132.45%	-68.38%	1.05%	-64.78%	1.87%
Profit after Taxation	9.08%	-48.87%	19.41%	32.22%	-646.19%	-312.41%	-74.13%	-3.26%	-58.07%	2.82%
Shareholders' Equity + Revaluation Surplus	49.99%	3.85%	14.76%	16.82%	10.00%	36.93%	-5.39%	13.55%	11.54%	9.10%
Fixed Assets - Net	34.59%	5.85%	4.32%	-3.47%	8.76%	80.27%	25.78%	28.36%	95.30%	-11.49%
Total Assets	27.51%	-1.31%	13.47%	19.95%	8.37%	42.71%	23.62%	8.88%	23.20%	10.78%
Total Liabilities	5.12%	-5.96%	12.32%	22.85%	6.91%	48.36%	76.63%	1.23%	48.47%	14.61%
Current Assets	23.60%	-5.62%	25.86%	37.58%	16.09%	33.53%	29.28%	-8.30%	-4.25%	18.40%
Current Liabilities	19.02%	-41.87%	12.98%	22.42%	7.99%	46.64%	77.93%	1.77%	44.43%	26.27%
Dividend	0.00%	0.00%	100.00%	-80.00%			-100.00%	0.00%	-71.43%	-30.00%
Shares Outstanding	22.00%	0.00%	0.00%	0.00%	900.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Our Products

Blade/Disposable Razors



Because it is its purpose to create a customer, any business enterprise has two – and only these two – basic functions: marketing and innovation.” ~ Peter Drucker

Soaps



Corrugation



Bikes



“What do you need to start a business? Three simple things: know your product better than anyone. Know your customer, and have a burning desire to succeed.” —Dave Thomas, Founder, Wendy’s

Governance

SYED SHAHID ALI

Chief Executive Officer



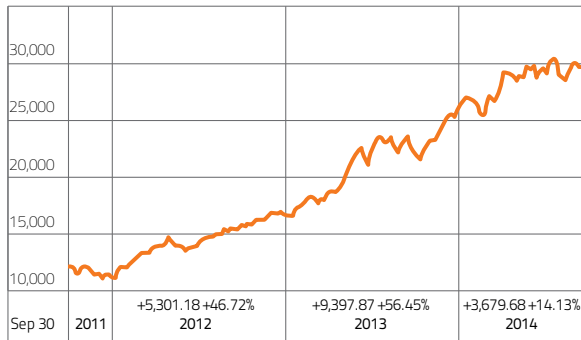
Directors' Report to the Shareholders

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, 2014.

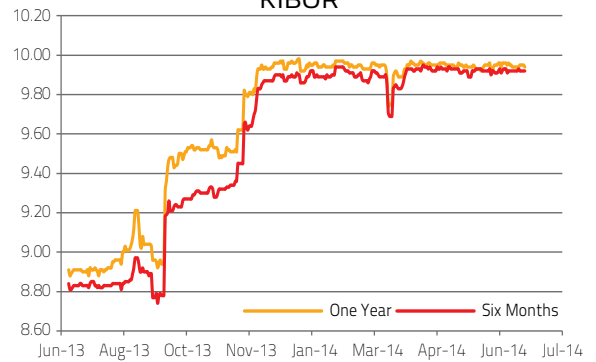
Economic Outlook

Economic and non-economic policies affect us. Some of us are beneficiaries of them and some are affected in adverse way. In this whirl, efficacy of policies is gauged through indicators and macroeconomic indicators of Pakistan's economy like reserve level, exchange rate, private sector credit, large scale manufacturing (LSM), inflation, stock market indices etc. moved in the right direction.

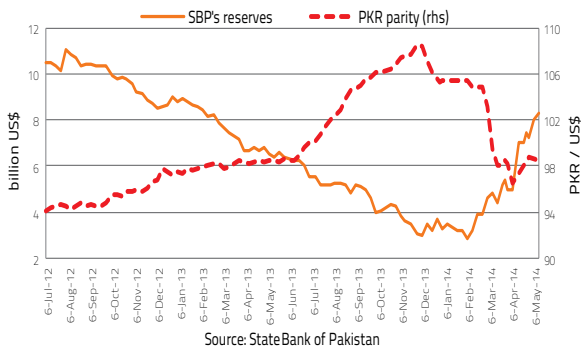
KARACHI STOCK EXCHANGE 100 INDEX



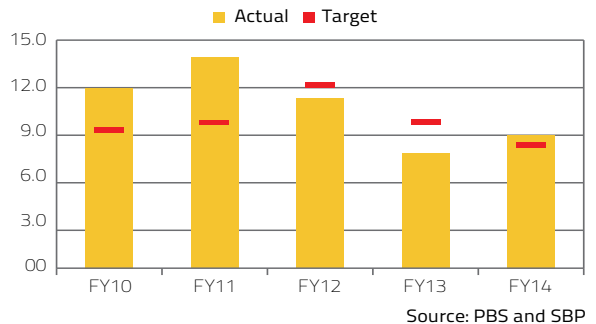
KIBOR



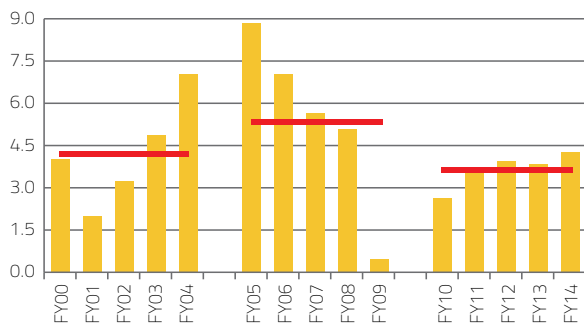
Parity vis -a- vis SBP's Reserves



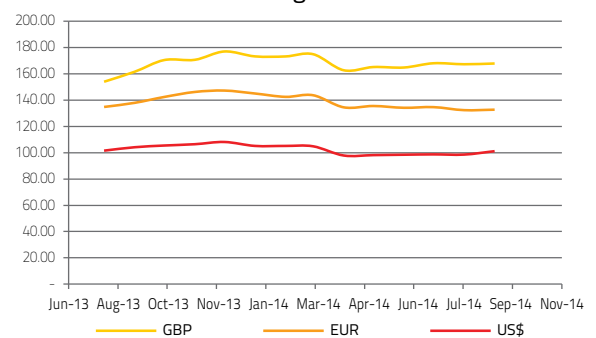
Target on Actual CPI Inflation (in percent)



Growth (basic price) Average



Exchange Rate



Directors' Report to the Shareholders

On a global front, Global economic growth prospects remain weak as advance economies, particularly US and Euro Zone, continue to experience slow growth despite corrective measures. Largely reflecting global growth trends, international commodity prices are expected to remain subdued in the medium term. Similarly, international oil price movements are expected to stay within a narrow band. This is because OPEC production remains comfortable despite geo-political concerns in Iraq and Syria. Resultantly, global inflation outlook remains benign, which bodes well for Pakistan's economy in the shape of stable international prices.

While the importance of bringing political stability, improving law and order conditions and creating conducive business environment can hardly be overemphasized, addressing energy shortages can go a long way in reviving investment and sustaining higher growth. It is these constraints which have been affecting productivity and constraining economy's ability to produce at its potential. Interest rate, at the moment, does not appear to be the prime factor affecting investment in the economy.

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:

- 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

	2014		2013		% Change	
	Treet (1)	Consolidated (2)	Treet (1)	Consolidated (2)	(1) over (3)	(2) over (4)
(Rupees in thousand)						
Sales (net of sales tax)	4,153,281	7,062,133	3,399,441	5,953,868	22.18%	18.61%
Gross Profit	1,225,869	1,424,316	1,068,882	1,334,803	14.69%	6.71%
Operating Profit	252,115	301,702	241,997	290,542	4.18%	3.84%
Profit/(Loss) before taxation	195,031	246,522	216,318	226,047	-9.84%	9.06%
Provision for taxation	20,601	(11,961)	3,221	(11,007)	539.58%	8.67%
Profit/(Loss) after taxation	215,632	234,561	219,539	215,040	-1.78%	9.08%
EPS (in Rupees)	4.51	4.90	5.03	4.92		

Sales performance showed excellent growth in the export market and maintained its foothold in the local market:

% Change over Corresponding Period (Consolidated)							
	Blade	Soap	Corrugation/Paper	Bike	Total	Local : Export	
						2013-2014	2012-2013
Local Sales	9.59%	12.94%	18.56%	4.48%	13.28%	61%	65%
Export Sales	35.95%	0.00%	0.00%	0.00%	35.95%	39%	35%
Total Sales	20.54%	12.94%	18.56%	4.48%	18.43%	for Blade & Soap Operations	

Although operating profits showed improvement but % increase is less than increase in sales volumes.

Factors having -ve Impact on Operating Profit:

- Increase of material cost related to petro-chemical products;
- Increased charges on account of salaries and wages due to general inflation, increased

production, increased manpower and costs related to various insurance schemes;

- Increase in power tariffs and in-house power generations;

Segment-wise Results:

Blade/Disposable Razors			
Rs. in '000'	2013-2014	2012-2013	% Change
Sales Net	4,153,281	3,425,135	21.26%
Inter-group Purchase	(5,069)	(4,377)	15.81%
Gross Profit	1,230,980	1,080,924	13.88%

Blade/disposable business posted excellent growth in export markets. Local sales also showed good growth.

Raw material cost in terms of dollar, excluding petrochemical 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 were the negative factors during the period.

The advertisement features a man shaving in a mirror, with a 'Pakistan Standards' logo in the top left corner. Below the mirror, two Treet razor blades are shown: a silver one with 'Treet 1' and '3 MADE IN PAKISTAN 3' and a black one with 'Treet 1' and 'A Treet FOR YOUR FACE 3'. At the bottom, the Urdu slogan 'ٹریٹ... بلیڈ مقبول شیو محفوظ' is written in red and blue.

Directors' Report to the Shareholders

Soaps			
Rs. in '000'	2013-2014	2012-2013	% Change
Sales Net	811,300	718,363	12.94%
Inter-group Sales	74	-	-
Inter-group Purchase	(8,631)	(11,318)	-23.74%
Gross Profit	27,924	81,514	-65.74%

Soap sales volumes are recovered this year (last year it was declined due to clearance of stocks at distributor/retail levels). New brand is being launched. Tallow prices remained on higher side and pass through effect was limited due to stiff competition during the year. Fuel cost was another area of concern, bio-mass based fuel costs skyrocketing and power tariff for industry are also climbing up. However, tallow prices (and palm oil prices) are easing down after June 2014, margins will be improved in the coming months.



Corrugation			
Rs. in '000'	2013-2014	2012-2013	% Change
Sales Net	1,620,740	1,311,748	23.56%
Inter-group Sales	68,095	69,748	-2.37%
Inter-group Purchase	(423,932)	(354,424)	19.61%
Gross Profit	178,501	152,812	16.81%

Sales volumes showed excellent growth despite of tough market situations and unavailability of power.

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.





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Directors' Report to the Shareholders

Paper & Board			
Rs. in '000'	2013-2014	2012-2013	%Change
Sales Net	108,106	145,729	-25.82%
Inter-group Sales	423,932	354,424	19.61%
Inter-group Purchase	(54,469)	(54,053)	0.77%
Gross Profit	6,827	13,362	-48.91%



Paper & Board Mill maintained 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. If fuel charges are adjusted upward would further add difficulties to this Sectors (since it is power intensive). Management of your Company has decided to dispose-off this business segment.

Motor Cycle Project			
Rs. in '000'	2013-2014	2012-2013	%Change
Sales Net	368,706	352,893	4.48%
Gross Profit	(19,916)	6,191	-413.87%



Sales from Motor Cycle segment although showed volume growth but margins are very thin; 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*	545,500

*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 TCLTC
Category "B" Payment (Additional Profit in Cash)	110,086	2.63
Minimum Profit Payment in Cash	173,144	4.14
Financial Charges i.e. Total Profit in Cash	283,230	6.77

Pay-OFF MATRIX (PER TCLTC) :		Based on Profit for the full Year			
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	2.63	6.77	6.92

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		
2014	11-10-2014	17-10-2014	09-10-2014	02-11-2014	02-11-2014	02-11-2014

*[as mentioned in the Prospectus of Participation Term Certificate (TCLTC) and extract from it [pertaining to 2nd year] is reproduced here]

Apart from the "Total Payment in Cash", TCLTC holders [who are entitled on October 09, 2014] will also get Ordinary Shares of the Company on the following basis:

Principal Redemption Through Conversion

Principal Redemption through Conversion	No. of Shares 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 TCLTC holders. This is the opportunity cost of the principal value of TCLTC forgone to get One additional Ordinary Share of the Company.
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, 2014 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).

Directors' Report to the Shareholders

Financial Plans:

1. Right Issue

Your Company has raised 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. Objective of the right issue was to raise funds for capital expansion (Lahore & Hyderabad Factories- Blade/Razor Segment) and to meet working capital requirements.

2. Conversion against TCLTC

Your Company has issued 2,927,557 ordinary shares of the Company against principal redemption through conversion under Category "A" payment of TCLTC.

Thus, total no. of shares issued during the period is as follows:

	On Conversion	15% Right Issue	Total Issue
No of Shares Issued	2,927,557	6,273,337	9,200,894
Nominal Value of Shares (Rs. In 000)	29,276	62,733	92,009
Shares Premium (Rs. In 000)	143,868	439,134	583,002
	173,144	501,867	675,011

3. Prospective Issue of Bond

Issuance of Treet Perpetual Bond* ("Bond") of Rs. 510.231 million @ Rs. 40.00 per Bond subject to the approval of shareholders, Stock Exchanges and Securities and Exchange Commission of Pakistan (SECP). Following are the main features** of the Issue;

- Bond 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;
- Bond will be issued in perpetuity and will be listed on all three stock exchanges;
- Bond will be convertible into ordinary shares [at the ratio of One Bond to One Ordinary Share of the Company] at the option of the Bondholders;
- Bond will be convertible into cash after every three years at the option of the Bond holder;
- Bond will carry voting right equal to one-tenth of ordinary share of the Company;
- Profit Payment in Cash per Bond will be an amount being the higher of the following:
 - One Year KIBOR minus 5%, subject to a floor of 6 %, multiplied by the face value of one Bond ;or
 - Cash dividend (interim plus final) paid by the

Company per Ordinary share during the relevant financial year; or

- 10% of the consolidated profit of the relevant financial year (divided by no. of Bonds outstanding);
- g. The Company will have no call option to redeem the Bond in Cash or to convert the Bond into Ordinary Shares of the Company;

*Name of "Perpetual Participation Term Certificate (PPTC)" is changed to Treet Perpetual Bond on the advice of SECP.

**Features can be changed till final approval from SECP.

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

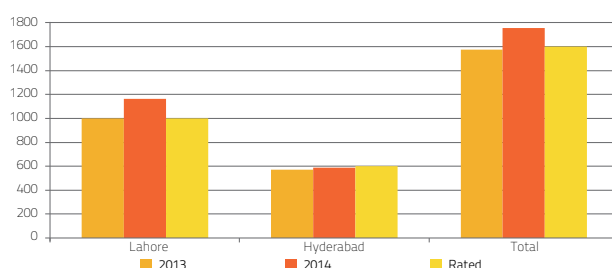
Rs. in 000'	2013-2014	2012-2013
Un-Appropriated Profit b/f	1,115,586	992,554
Realization of : Revaluation Surplus (NET)/ Gain on Disposal of Investment	5,154	5,154
Effect of retrospective application of change in accounting policy/ Re-measurement of employee retirement benefits - net of tax	(25,118)	(18,017)
Profit during the period	215,631	219,539
Dividend Distributed	(83,644)	(83,644)
Un-Appropriated Profit c/f	1,227,609	1,115,586
Dividend Declared (Final)	102,046	83,644

Production

This year illustrated an increase of 11.6% in the production of razor/blades over the last year as follows:

Plant Capacity & Production:

(in millions)	Rated	2014	2013
Hyderabad	600	590	572
Lahore	1000	1165	1001
	1600	1755	1573



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.
- 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.
- 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.

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, 2014 are as follows:

Provident Fund	324.213
Gratuity Fund	188.515
Superannuation Fund	176.868
Service Fund	107.024
Housing Fund	5.382
Benevolent Fund	1.530

Audit Committee

The Board of Directors of the Company has established an Audit Committee comprising of four members, in compliance with the Revised Code of Corporate Governance 2013 (CCG). Whom three are Non-Executive Directors including Chairman of the Committee. During the year June 30, 2014, the Committee met four times. The Meetings of the Audit Committee were held at least once every quarter prior to the approval of the interim and final results of the Company as required by CCG. The attendance of the Board Members was as follows:-

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

Chief Financial Officer, Secretary of Audit Committee and Head of Internal Audit also attended all the meetings during the year under review. The Committee also met the External Auditors separately in the absence of Chief Financial Officer and Head of Internal Audit to get their feedback on the overall control and Governance structure within the Company.



Terms of reference of Audit Committee

The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department and compliance status of audit observations.

Directors' Report to the Shareholders

The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and considers any question of resignation or removal of external auditors, audit fees and provision of any service to the Company by its external auditors in addition to the audit of its financial statements.

The Terms of Reference of the Audit Committee are consistent with those stated in the Code of Corporate Governance and broadly include the following:

- (i) Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors.
- (ii) Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto.
- (iii) Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.
- (iv) Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure.
- (v) Determination of compliance with relevant statutory requirements and monitoring compliance with the best practices of corporate governance.
- (vi) Institute special projects, value for money studies or other investigations on any matters specified by the Board of Directors.
- (vii) Review of management letter issued by the External Auditors and Management response thereto:

Report of the Audit Committee

The Committee performs its functions in accordance with the terms of reference as approved by the Board and reviewed the following key items during the current financial year.

Financial Reporting:

The Committee reviewed, discussed and recommended for Board approval, the draft Interim and Annual Results of the Company. The Committee discussed with the CFO, HIA and External Auditors of the Company on significant accounting policies, estimates and judgments applied in preparing the financial information.

Review of Compliance with the Code of Corporate Governance (CCG):

The committee places great importance on ensuring compliance with the best practices of the Code of Corporate Governance. In this respect, the Committee annually reviews the Company's Compliance with the CCG.

Appointment of External Auditors:

As per the requirements of the CCG and term of reference of the Audit Committee, the Committee recommended the appointment and remuneration of External Auditors to the Board for their approval.

Review of Management Letter issued by the External Auditors:

The Committee also reviews the Management Letter issued by the External Auditors' wherein control weaknesses are highlighted. Compliance status of previously highlighted observations by the External Auditors' is reviewed and corrective measures are discussed to improve the overall control environment.

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.



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.

We divide our total payroll costs into five segments:

"I don't pay good wages because I have a lot of money; I have a lot of money because I pay good wages." ~Robert Bosch



1. Monthly Salary to cover day to day expenses;
2. Annual bonuses/and incentives that covers durables and to plan vacations [and these bonuses/incentives are variable part of salary that is linked with the Company's performance so if Company performs well so do the employees];

Directors' Report to the Shareholders

3. Hospitalization coverage for self, immediate family and dependant parents;
4. Retirement Funds so that reasonable accumulation of wealth [professionally managed by the Company itself] at the time of retirements and that includes;

a. Defined Contribution Plans

- i. Provident Fund
- ii. Service Fund
- iii. Benevolent Fund
- iv. Superannuation Fund
- v. Housing Fund

b. Defined Benefit Plans

- i. Gratuity Fund
 - ii. Superannuation Fund
5. Insurance / Assurance Schemes that covers contingencies/mishaps and includes;
 - a. Group Life Insurance
 - b. Insurance Coverage that is linked to no. of Years Served x Last Salary drawn
 - c. Insurance Coverage that is linked to no. of Years Remaining in the Service x Last Salary drawn
 - d. Provident Fund Multiple Insurance
 - e. Pay Continuation Plan that insures pay continuation for 15 years with Inflation Indexing
 - f. Unit Plans Assurance Schemes linked to Benevolent Fund

Owning a home is a keystone of wealth - both financial affluence and emotional security. Company has also initiated scheme to provide shelters (house or land) under Housing Fund. Initially it is limited to management employees [who opt for it] and gradually it will be broadening to other cadres of employees as well.

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

Syed Sheharyar Ali	Chairman
Mr. Munir Karim Bana	Member
Mr. Imran Azim	Member
Mr. Muhammad Shafique Anjum	Member
Mr. Amir Zia	Member
Mr. Jehangir Bashir	Member
Mr. Rana Shakeel Shaukat	Secretary

Terms of Reference of the Human Resource & Remuneration Committee:

The Committee shall be responsible for making recommendations to the Board for maintaining:

- i. A sound plan of organization for the company.
- ii. An effective employees' development programme.
- iii. Sound compensation and benefits plans, policies and practices designed to attract and retain the caliber of personnel needed to manage the business effectively.
- iv. Evaluate and recommend for approval of changes in the organization, functions and relationships affecting management positions equivalent in importance to those on the management position schedule.
- v. Determine appropriate limits of authority and approval procedures for personnel matters requiring decisions at different levels of management.
- vi. Review the employees' development system to ensure that it:
 - a. Foresees the company's senior management requirements.
 - b. Provides for early identification and development of key personnel.
 - c. Brings forward specific succession plans for senior management positions.
 - d. Training and development plans
- vii. Compensation and Benefits:
 - a. recommending human resource management policies to the board;
 - b. recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
 - c. recommending to the Board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and senior management reporting to CEO.

Remuneration of Chief Executive Officer:

In accordance with the provisions of Section 218 of the Companies Ordinance, 1984, the Board has recommended the revised remuneration of CEO to the Shareholders for their approval. Thereafter it was approved by the shareholders in their Extraordinary General Meeting held on June 30, 2014.

Meetings of the Board of Directors

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

	30-Aug-2013	1-Oct-2013	30-Oct-2013	24-Feb-2014	28-Apr-2014	26-May-2014	2013-2014
Syed Shahid Ali	P	P	P	P	P	A	5/6
Dr. Mrs. Niloufer Mahdi	P	A	P	A	P	A	3/6
Mrs. Ferial Ali Mehdi	A	A	A	A	A	A	0/6
Syed Sheharyar Ali	P	P	P	P	P	P	6/6
Mr. Jalees Ahmed Siddiqi	P	P	P	A	P	P	5/6
Mr. Munir Karim	P	P	A	P	P	P	5/6
Mr. Imran Azim	P	P	A	P	P	P	5/6
Mr. Muhammad Shafique Anjum	P	P	P	P	P	P	6/6
	7/8	6/8	5/8	5/8	7/8	5/8	

P=Present A=Leave of Absence

Election of Directors

The tenure of present directors was ended on June 30, 2014 and accordingly election was held on June 30, 2014 to elect eight directors of the Company for next term of three years commencing from July 01, 2014. The retiring directors being eligible filed their intentions to contest the Election and following persons were elected directors for next term of three years:-

1. Syed Shahid Ali	2. Dr. Mrs. Niloufer Mahdi	3. Mr. Saulat Said	4. Syed Sheharyar Ali
5. Mr. Jalees Ahmed Siddiqi	6. Mr. Munir Karim Bana	7. Mr. Imran Azim	8. Mr. Muhammad Shafique Anjum

The Board of directors in their meeting held on July 09, 2014 has elected Dr. Mrs. Niloufer Mahdi as Chairperson and Syed Shahid Ali as a Chief Executive Officer of the Company.

Pattern of Shareholding

The pattern of shareholding of your Company as on June 30, 2014 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

There has been noticeable improvement in most macroeconomic indicators of the economy in FY14. Led by external sector, both monetary and fiscal sectors showed visible progress. Economic activity continued an upward trajectory as indicated by increase in production (GDP), growth in LSM and rise in private sector credit. Inflation, despite some volatility, remained in single digit. These are all welcome signs requiring continuity in policy stance and vigilance regarding potential risks. However, continuous decline in the investment to GDP ratio has increased the likelihood of a decline in the productive capacity in the economy well. In this backdrop, the decline in both measures of core inflation, non-food non-energy (NFNE) and 20% trimmed; indicate moderate aggregate demand in the economy, at the moment.

However, as demand picks up, the production constraints existing in the economy might become binding which could lead to inflationary pressures in the medium term.

[Source: Monetary Policy Statement, July 2014 of State Bank of Pakistan]

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.



Directors' Report to the Shareholders

Blades:

Despite global economic slowdown, blade segment has shown tremendous growth in the international market due to appropriate strategy to capture the opportunities and counter the ensuing threats. Local market is also maintaining its foothold despite smuggled blades from India and Egypt. Exchange rate will play an important role in determining intensity of competition. It is expected that Egyptian Pound and Indian Rupee are expected to appreciate vis-à-vis Pak Rupee. This will help us in the local market.

Continuous BMR is under way to enhance the production capacities and to add new products that will help to explore the new markets.

Soaps:

Prices of tallow and palm oil are calming down and accordingly it is expected that margins will be improved in this segment.

Moreover, efforts are being made to introduce vegetable soaps (palm oil based) to introduce not only new brand but also to take advantage of palm oil prices.

This will help to increase the operating margins of this segment.

Corrugated Packaging:

Despite challenging security/political conditions and energy shortages, the real GDP grew by 4.1 percent in FY14. Encouragingly, this relatively higher growth was led by recovery in the industrial sector, thanks to better performance of Large Scale Manufacturing (LSM). This trend is likely to continue in FY15. Moreover, if recent oil prices prevail, power rates are unlikely to be increased. Moreover, transportation bills will not show increase due to oil price hike. Thus, it is expected pass through impact which was limited in the short run, your Modaraba will be able to increase the prices and will maintain its margins in the long run.

Paper & Board:

Consistent power outages and skyrocketing prices of bio-mass (for fuel) are the real challenges to this sector. Management of your Company has decided to dispose-off "Paper & Board Plant" in Sheikhupura. Agreement to sell has already been signed with the prospective buyer for total consideration of Rs. 162.00 million (that includes land, building, plant &

machinery, equipments etc. at related to Paper & Board Mill Sheikhupura) and deal will be closed by the end of October 2014.

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 projects under Global Arts Limited (GAL) to promote, establish, run manage and maintain, educational institutions, colleges of arts, research, sciences, information technology



and business administration; higher level schools, academics, technical training centers and such other educational institutions as may be considered appropriate for the promotion and advancement of education in the country with national and international affiliations but not to operate itself as a university and not to act as a degree awarding institution;

- Paper & Board Plant having capacity of 200~400 tons per day;

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



**60 YEARS OF
SERVING THE NATION**

**MANUFACTURERS OF SHAVING BLADES & RAZORS,
SOAPS, MOTORBIKES,
PAPER AND CORRUGATED BOXES**



TREET GROUP OF COMPANIES

72-B, INDUSTRIAL AREA, KOT LAKHPAT, LAHORE - PAKISTAN.
Ph : +92-42-35156567-77, 35830881 Website : www.treetonline.com

Statement of Compliance with the Best Practices Code of Corporate Governance

For the Year Ended June 30, 2014



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 Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange 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 non executive directors and directors representing minority interests on its board of directors. As at 30 June 2014 the Board comprising of the following:

Executive Director

Syed Shahid Ali
Syed Sheharyar Ali
Muhammad Shafique Anjum

Non-Executive Director

Dr. Mrs. Niloufer Mahdi
Mr. Imran Azim
Mr. Munir Karim Bana
Mr. Saulat Said
Mr. Khurram Raza Bakhtayari

The election of directors was held on 30 June 2014, and the new term begins on 01 July 2014. However, the new Board does not include an independent director.

2. The directors have confirmed that none of them is serving as a director on 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 NBFIs 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.

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. During the year under review one Director attended the Corporate Governance Leadership Skills (CGLS) Program of the Pakistan Institute of Corporate Governance (PICG) and obtained the required Certificate. Six Directors out of eight meets the criteria of exemption under the clause (xi) of the Code and are accordingly exempted from the Directors' Training Program.
10. The Board has approved appointment of Company Secretary during the year under review including their remuneration and terms and conditions of employment. However, no appointment of CFO and Head of Internal Audit has been made during the year.
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. Three out of four members of Audit Committee are non-Executive Director including Chairman of Audit Committee
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 - two are non-executive directors including Chairman of the Committee.
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 except for:
 - a. As per the requirement of clause v (e) of the Code of Corporate Governance, the Board had to put in place a mechanism for its own evaluation.



(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 Friday, October 31, 2014 at 11.00 A.M. at 72-B, Industrial Area, Kot Lakhpat, Lahore the Registered Office of the Company to transact the following business:-

Ordinary Business:

1. To confirm the Minutes of the last Extraordinary General Meeting held on June 30, 2014.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the Year Ended June 30, 2014 together with the report to the shareholders and Auditors Report thereon.
3. To approve Final Cash Dividend of Rs. 2.00/- per share i.e. 20% for the Year Ended June 30, 2014 as recommended by the Board of Directors.
4. To appoint External Auditors of the Company for the year ending June 30, 2015 and to fix their remuneration. The retiring Auditors M/S. KPMG Taseer Hadi & Co., Chartered Accountants being eligible offer themselves for re-appointment.

Special Business:

5. To consider and if thought fit to approve the Employees Share Option Plan (ESOP) and to raise further share capital of the Company by the issue and allotment of further shares of the Company in terms thereof and for this purpose, to pass the following resolution as a Special Resolution, with or without modifications:

RESOLVED THAT, subject to the approval and sanction of the Securities & Exchange Commission of Pakistan (SECP), the Employees Share Option Plan (ESOP) of the Company under the Public Companies (Employee Share Option Plan) Rules, 2001, considered by this meeting, and initialed by the Chairman of the meeting for the purposes of identification, be and is hereby approved, adopted and agreed.

RESOLVED FURTHER THAT, subject to the ESOP being approved and sanctions of the SECP, the Company be and is hereby authorised, pursuant to second proviso to Section 86 (1) of the Companies Ordinance, 1984, to raise further capital in terms of the ESOP and to reserve, allot and issue further shares of the Company up to a maximum of three percent (3%) in a single year and up to fifteen percent (15%) in all years of the total issued share capital of the Company in terms of the ESOP to the eligible employees under the ESOP without offering such shares to the existing shareholders.

RESOLVED FURTHER that any two of Syed Shahid Ali, Chief Executive Officer, Mr. Amir Zia, Chief Financial Officer and Rana Shakeel Shaukat Company Secretary of the Company be and are hereby jointly (either two of them) authorized to make such modifications to the ESOP as may be directed by the Securities and Exchange Commission of Pakistan or as may otherwise be considered expedient and such modifications (if any) shall be deemed to have been approved by the shareholders.

RESOLVED FURTHER that any two of Syed Shahid Ali, Chief Executive Officer, Mr. Amir Zia, Chief Financial Officer and Rana Shakeel Shaukat Company Secretary of the Company be and are hereby jointly (either two of them) authorized to do all such acts, deeds, matters and things, as may be deemed necessary, proper or expedient for the purpose of giving effect to the aforementioned Resolutions and for matters connected therewith or incidental thereto, and to take all necessary steps as required under law or otherwise and to sign and execute any petitions, applications, documents, letters of authorities etc. for and on behalf of the Company in relation to the foregoing and to further sub-delegate any or all of his

powers hereunder.

RESOLVED FURTHER that once necessary approvals under applicable laws are taken Ordinary Shares of the can be issued to the Entitled Employees of the Company as per the ESOP, which shares shall rank pari passu with the existing Ordinary Share of the Company in all respects including dividends, bonus Shares, voting rights and / or any corporate benefit, if declared by the Company out of the profit for the ensuing years.

6. To transact any other business with the permission of the Chair.

By Order of the Board



(Rana Shakeel Shaukat)

Company Secretary

Lahore: September 29, 2014

Notes:

- a. The share transfer Books of the Company will remain closed from October 24, 2014 to October 31, 2014 (both days inclusive). No transfer will be accepted for registration during this period. Transfers received in order at the Registered Office of the company by the close of business on October 23, 2014 will be considered in time for the purpose of entitlement.
- b. Any member of the Company entitled to attend and vote may appoint 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 CNIC or Passport and CDC account number for verification.
- d. Members are requested to promptly notify the Company of any change in their addresses.

STATEMENTS UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

The material facts concerning the special business to be transacted at the Annual General Meeting are given below:

Employees Share Option Plan ("ESOP"):

Core objective of the Plan is to provide incentives to the key employees of the Company for retention purposes. Moreover, it will provide them a sense of ownership of the Company, which will result in their better performance towards the growth of their own Company and to give them reward for their services to the Company.

The following information is being provided pursuant to Rule 6 of the Public Companies (Employee Share Option Plan) Rules, 2001 ("Rules"):

Notice of Annual General Meeting

a.	Total number of options to be granted:	15% of the paid-up capital of the Company (as increased from time to time).
b.	Identification of classes of employees entitled to participate in the Plan:	<p>a. A regular employee who is on payroll of the Company working in Pakistan or outside Pakistan (and who is admitted to the Plan by the Board);</p> <p>b. An Executive Director who is on the payroll of the Company;</p> <p>c. A Chief Executive who is on the pay roll of the Company;</p> <p>d. Subject to compliance with rule 6 (3)(a) of the Rules, a regular employee of any wholly subsidiary company(ies) of the Company, and/or an Executive Director and/or Chief Executive Officer who is on the payroll of any wholly subsidiary Company(ies) and who is admitted to the Plan by the Board.</p>
c.	Requirements of vesting and period of vesting:	<p>An Option or any portion thereof shall be exercised during the applicable Option Period, subject to expiry of the relevant Minimum Vesting Period.</p> <p>The Minimum Vesting Period for an Option shall, unless otherwise determined by the Compensation Committee at the time of grant of an Option, be a period of 12 months from the Date of Grant of the Option.</p>
d.	Maximum period within which any option shall be vested:	One (1) year from the expiry of the Minimum Vesting Period;
e.	Exercise price or pricing formula:	Weighted average of the closing market price of the Shares of the Company at the Karachi Stock Exchange Limited for the last 90 consecutive days immediately preceding the Date of Grant of the relevant Option. Provided that it shall not in any case be less than the face value of Rs.10.00 per share.
f.	Appraisal process for determining eligibility of an employee to the Plan:	On or prior to the Date of Entitlement (and at least once in every Financial Year), the CC shall determine and recommend to the Board as to which Eligible Employees are entitled to grant of Options for the Financial Year preceding the Date of Entitlement, and the proposed terms and conditions and quantum of each Option. The CC shall, in determining the aforementioned entitlement, take into account the Entitlement Criteria and undertake performance evaluation based on a system of ratings, competitive pay levels, level of responsibility, number of years of service and information provided by the heads of department.
g.	Maximum number of options to be issued per employee and in aggregate	The aggregate number of the Shares for all Options to be granted under this Plan to any single Eligible Employee shall not, at any time, exceed five percent (5%) of the paid-up capital of the Company (as increased from time to time). Provided further that the grant of Options to Eligible Employees in any one calendar year exceeding Three percent (3 %) of the paid-up capital of the Company (as increased from time to time but excluding outstanding conversions) shall require the approval of the shareholders of the Company

The Company shall comply with the accounting policies specified in Rule 13.

The Directors of the Company are not interested in the aforementioned special business except to the extent those executive directors/chief executive are entitled to the options as an eligible employee..

Full text of ESOP to be approved by the shareholders of the Company is given below;

Treet Corporation Limited

Employees Share Option Plan

1. Definitions and Interpretation

- 1.1 In this Employees Share Option Plan (hereinafter "ESOP" or "The Plan" or "This Plan") the words and expressions set out below shall have the meanings specified against them:
- 1.1.1 **'The Company'** means Treet Corporation Limited;
- 1.1.2 **'The Board'** means the Board of Directors for the time being of the Company acting at a meeting or through a committee of Directors;
- 1.1.3 **'Cashless Exercise'** means the mechanism described in Clause 5.5 whereby the Company may fund all or part of the Option Price;
- 1.1.4 **'The Compensation Committee' or 'CC'** means a Human Resource and Remuneration Committee appointed by the Board comprising of three non-executive Directors of the Company;
- 1.1.5 **'Date of Approval'** means the later to occur of the date on which the shareholders of the Company approve this Plan by a special resolution and the Securities and Exchange Commission of Pakistan approves this Plan in accordance with the requirements of Section 86 of the Ordinance and the Rules;
- 1.1.6 **'Date of Entitlement'** means the 1st of July of each calendar year, or any other date decided by the Compensation Committee;
- 1.1.7 **'Date of Grant'** means the date on which an Option is granted to an Eligible Employee in accordance with this Plan;
- 1.1.8 **'Eligible Employee'** means:
- a. A regular employee who is on payroll of the Company working in Pakistan or outside Pakistan (and who is admitted to the Plan by the Board); or
 - b. An Executive Director who is on the payroll of the Company;
 - c. A Chief Executive who is on the pay roll of the Company;
 - d. Subject to compliance with rule 6 (3)(a) of the Rules, a regular employee of any wholly subsidiary company(ies) of the Company, and/or an Executive Director and/or Chief Executive Officer who is on the payroll of any wholly subsidiary Company(ies) and who is admitted to the Plan by the Board.
- 1.1.9 **'Employment'** means employment by the Company (or a wholly owned subsidiary of the Company, as the case may be) of an Eligible Employee;

Treet Corporation Limited

Employees Share Option Plan

- 1.1.10 'Entitlement Criteria' will be determined from time to time by the Compensation Committee based on, inter alia, the following factors:
- a. Competitive pay levels;
 - b. Level of responsibility;
 - c. Performance; and
 - d. No. of years of Service;
- 1.1.11 'Entitlement Pool' means the total number of Shares available for being made the subject of Options, as determined by the Board from time to time, which shall not, at any time, exceed fifteen percent (15%) of the paid-up capital of the Company (as increased from time to time). As on June 30, 2014 paid up capital of the Company is Rs. 510,231,440 divided into 51,023,144 shares of Rs.10/- each;
- 1.1.12 'ESOP Account' means the book account opened by the Company in the name of each Eligible Employee to facilitate Cashless Exercise of Options;
- 1.1.13 'Financial Year' means the period starting from 1st July in a calendar year and ending on 30th June in the following calendar year;
- 1.1.14 'Normal Anticipated Retirement Date' means 60 years of age or such other age at which an Eligible Employee is required to retire by his contract of employment or as per rules and policy of the Company (including wholly owned subsidiary Company(ies));
- 1.1.15 'Option' means a right granted to an Eligible Employee to subscribe for Shares at the Option Price, pursuant to this Plan;
- 1.1.16 'Option Certificate' means a certificate issued to an Option Holder in accordance with clause 4.3 of this Plan;
- 1.1.17 'Option Holder' means an Eligible Employee (or permitted successor/transferee of an Eligible Employee) holding an Option;
- 1.1.18 'Option Notice' means the notice given by an Eligible Employee to the Company for the exercise of his Option;
- 1.1.19 'Option Period' means a period of one (1) year from the expiry of the Minimum Vesting Period;
- 1.1.20 'Option Price' means the subscription price for a Share comprised in any Option which, unless otherwise determined by the CC in compliance with rule 13 of the Rules, shall be weighted average of the closing market price of the Shares of the Company at the Karachi Stock Exchange Limited for the last 90 consecutive days immediately preceding the Date of Grant of the relevant Option. Provided that it shall not in any case be less than the face value of Rs.10.00 per share.
- 1.1.21 'Ordinance' means the Companies Ordinance, 1984;
- 1.1.22 'Retirement' means the ceasing of Employment of an Eligible Employee on attaining the Normal Anticipated Retirement Date;
- 1.1.23 'Rules' means the Public Companies (Employee Share Option Plan) Rules, 2001;
- 1.1.24 'ESOP' or 'The Plan' or 'This Plan' means this Treet Corporation Limited Employees Share Option Plan approved by the Securities and Exchange Commission of Pakistan and introduced under the Public Companies (Employee Share Option Plan) Rules, 2001;
- 1.1.25 'Shares' means fully paid up ordinary shares of Rs. 10 each in the capital of the Company;
- 1.1.26 'Share Certificate' means a certificate issued to an Option Holder in accordance with clause 5.6;

- 1.1.27 **'Share Entitlement'** means that number of Shares for which an Option is granted to an Eligible Employee in accordance with this Plan, as stated in the Option Certificate relating to such Option; and
- 1.1.28 **'Minimum Vesting Period'** means, for each Option or portion thereof, the period, as specified in clause 5.2, after which the Option or portion thereof can be exercised by the Option Holder.
- 1.2 In this Plan, unless the context otherwise requires, words denoting the singular number shall include the plural number and words denoting the masculine gender shall include the feminine gender.
- 1.3 In this Plan, unless the context otherwise requires, a reference to a rule is to a rule under the Rules, and a reference to a clause is to a clause of this Plan.
- 1.4 A reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation under, that legislative provision.
- 1.5 A reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as stands amended, novated, restated or replaced at the relevant time.
- 1.6 A reference to any person includes that persons executors, administrators, successors, permitted transferees and permitted assignees.
- 2. Effectiveness**
- 2.1 This Plan shall come into force with effect from the Date of Approval.
- 3. Objective of the Plan**
- 3.1 Core objective of the Plan is to provide incentives to the key employees of the Company for retention purposes. Moreover, it will provide them a sense of ownership of the Company, which will result in their better performance towards the growth of their own Company and to give them reward for their services to the Company.
- 4. Grant of Options**
- 4.1 On or prior to the Date of Entitlement (and at least once in every Financial Year), the CC shall determine and recommend to the Board as to which Eligible Employees are entitled to grant of Options for the Financial Year preceding the Date of Entitlement, and the proposed terms and conditions and quantum of each Option. The CC shall, in determining the aforementioned entitlement, take into account the Entitlement Criteria and undertake performance evaluation based on a system of ratings, competitive pay levels, level of responsibility, number of years of service and information provided by the heads of department.
- 4.2 Within 30 days of the Date of Entitlement, the Board, on recommendation of the CC, may in its discretion grant the recommended Options to the recommended Eligible Employee in respect of the immediately preceding Financial Year.
- 4.3 In evidence of the Option granted to an Eligible Employee pursuant to Clause 4.2, the Company shall deliver an Option Certificate to such Eligible Employee, stating therein the Entitlement of the Eligible Employee, the Date of Grant, the Option Period, the Minimum Vesting Period and the Option Price. Each Option shall be personal to the Eligible Employee to whom it is granted and, other than a transfer to the Eligible Employee's legal heirs on his death, shall not be transferable, assignable or chargeable in any manner whatsoever. Any other purported transfer, assignment, charge, disposal or dealing with the rights and interest of the Option Holder under this Plan or under an Option shall render such Option null void.
- 4.4 The aggregate number of the Shares for all Options to be granted under this Plan to all Eligible Employees shall not, at any time, exceed the Entitlement Pool.

Treet Corporation Limited

Employees Share Option Plan

- 4.5 The aggregate number of the Shares for all Options to be granted under this Plan to any single Eligible Employee shall not, at any time, exceed five percent (5%) of the paid-up capital of the Company (as increased from time to time). Provided further that the grant of Options to Eligible Employees in any one calendar year exceeding Three percent (3%) of the paid-up capital of the Company (as increased from time to time but excluding outstanding conversions) shall require the approval of the shareholders of the Company under Rule 6 (3)(b).
- 4.6 No Option shall be granted to an Eligible Employee specified in Clause 1.1.8 (d) except with the approval of the shareholders of the Company under rule 6 (3)(a) of the Rules.
- 4.7 An Eligible Employee who is on long leave (i.e. leave in excess of the normal leave requirements provided in the terms and conditions of employment) may also become entitled to such Options as may be determined by the CC in its discretion from time to time.
5. Exercise of Options
- 5.1 An Option or any portion thereof shall be exercised during the applicable Option Period, subject to expiry of the relevant Minimum Vesting Period.
- 5.2 The Minimum Vesting Period for an Option shall, unless otherwise determined by the CC at the time of grant of an Option, be a period of 12 months from the Date of Grant of the Option.
- 5.3 An Option may be exercised in full or in part, from time to time within the applicable Option Period (subject to expiry of the relevant Minimum Vesting Period).
- 5.4 In order to exercise an Option in whole or in part, the Option Holder must, after expiry of the relevant Minimum Vesting Period and prior to expiry of the relevant Option Period, deliver to the Secretary of the Company an Option Notice in writing specifying the number of Shares in respect of which the Option is being exercised, and deliver a copy of such Option Notice along with the Option Certificate. Payment for the Option Price relating to the Option (or part thereof) being exercised must also be made to the CC, in readily available funds accompanying the Option Notice and/or, in case Clause 5.5 is applicable, by the Option Holder opting for the Cashless Exercise of Option there under. The date of delivery of the Option Notice to the Company shall constitute, for all purposes, the date of exercise of such Option. Each Option Notice shall be given only in such form as the Company may from time to time prescribe.
- 5.5 Under the Cashless System of exercise of Option, the Company may, in its discretion, fund by way of an interest free advance, up to the entire amount of the relevant Option Price, to the Eligible Employees that come within the scope of the proviso to Section 95 (2) of the Ordinance, The CC may, within ten working days of receipt of an Option Notice opting for a Cashless Exercise under this Clause 5.5, (in its discretion) either refuse the funding of such Option or make payment (by debiting the ESOP Account of such Eligible Employee) of the relevant portion of Option Price in respect of which such Eligible Employee has opted for Cashless Exercise under this Clause 5.5 (as specified in the Option Notice).
- 5.6 As soon as practicable and in any event not more than thirty days after the later to occur of receipt by the Company of each Option Notice and the payment of the applicable Option Price, the Shares in respect of which the Option has been exercised shall be allotted by the Company to the Eligible Employee, and the Share Certificates in respect of such Shares shall be issued in the name of the Eligible Employee and the name of such Eligible Employee shall be entered in the register of members of the Company in respect of the Shares so allotted. Provided, however, in case the Eligible Employee has opted for a Cashless Exercise under Clause 5.5 in respect of all or part of such Option Price, the Company shall have a lien on the Shares allotted thereunder upto the amounts advanced by the Company under Clause 5.5, and the Company shall be entitled to sell such number of Shares as are required to repay such amounts and reduce the debit balance in such Eligible Employee's ESOP Account to nil.
- 5.7 No Option Holder shall have any right to receive any sort of dividend or to vote in any manner or

enjoy the benefits of a shareholder in respect of any Option granted to him until Shares are actually issued to him on exercise of the Option (and thereafter such rights shall be limited only to the extent of the Shares issued to him).

5.8 There is no lock-in period for any Shares allotted and issued to an Option Holder on exercise of his Option, i.e. an Option Holder shall be free to sell or otherwise dispose of his Shares (subject to the provisions of Clause 5.5, if applicable).

6. Lapse of Options

6.1 The unexercised portion of an Option shall lapse at the completion of the relevant Option Period.

6.2 Notwithstanding anything to the contrary contained herein, upon an Option Holder ceasing to be in Employment for any reason (including termination of employment for misconduct) other than Retirement or death or permanent incapacity, only such Options or portion thereof held by him for which the Minimum Vesting Period has expired on or prior to the date of termination / resignation shall remain valid and all other Options or portions of Options shall immediately lapse thereafter. The Options or portions thereof that remain valid under this Clause 6.2 may be exercised any time up till the expiry of applicable Option Period or within the period of three months from the date of termination/ resignation of the Option Holder, whichever is earlier, and the unexercised Options or portion thereof, if any, shall lapse thereafter. Provided, however, the Compensation Committee may, in its discretion, extend the permissible period for exercise of the aforementioned Options beyond the aforementioned period but not, in any case, beyond the Option Period relating to such Option.

6.3 Notwithstanding anything to the contrary contained herein, upon the Option Holder ceasing to be in Employment by reason of Retirement or permanent incapacitation, all remaining Options held by him on the date of Retirement or permanent incapacitation shall immediately vest in his name (irrespective of the applicable Minimum Vesting Period) and will remain capable of exercise only up till the expiry of applicable Option Period or the period of twelve months from the date of such Retirement / permanent incapacitation, whichever is earlier, and any unexercised portion of the Option shall lapse thereafter.

6.4 Notwithstanding anything to the contrary contained herein, upon the death of any Option Holder, all remaining Options held by him on the date of death shall immediately vest in the name of his legal heirs (irrespective of the applicable Minimum Vesting Periods) and will remain capable of exercise by such legal heirs only up till the expiry of the applicable Option Period or the period of twelve months from the date of death, whichever is earlier, and any unexercised portion of the Option shall lapse thereafter. Provided however that such legal heirs shall, prior to exercise of an Option, be required to show evidence to the Company's satisfaction that they are the only legal heirs of the deceased Option Holder.

6.5 Upon the lapse of an Option, any outstanding Shares for which the Option was issued and not exercised may be offered by the CC to other Eligible Employees and shall not be double-counted for the purposes of the Entitlement Pool.

7. Calculation of Entitlement

7.1 The Board, on recommendation of the CC, shall determine the entitlement to Options of the Eligible Employees in a meeting to be held within 30 days of the Date of Entitlement.

8. Compliance

8.1 The Plan shall be administered and implemented in due compliance with law, including without limitation, applicable provisions of the Ordinance and the Rules.

8.2 Without prejudice to the generality of the foregoing, the Board shall ensure compliance with rule 12, rule 13 and rule 14 of the Rules.

8.3 The policy and system for controlling insider trading shall be as follows:

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- (a) the Company will ensure that each Eligible Employee is provided with a copy of the Plan prior to grant of any Option;
 - (b) while granting any Option to an Eligible Employee, he/she will be cautioned in writing that all Options granted will lapse forthwith if the Eligible Employee is found guilty of insider trading;
 - (c) the Company will provide the Eligible Employee, prior to grant of any Option, with copies of the relevant sections of law (including any up-dates or amendments thereto) dealing with the prohibition against insider trading;
 - (d) all trades of the Company's securities by all Option Holders must be reported within five (5) working days to the Company Secretary of the Company;
 - (e) An Eligible Employee shall neither disclose any inside information to any other person nor make recommendations or express opinion on the basis of inside information as to trading in the Company's securities.
- 8.4 Without prejudice to the foregoing, the CC may from time to time modify the aforementioned policy or make other suitable policies and system to ensure that there is no violation of insider trading provisions of Securities and Exchange Ordinance, 1969, and the Securities and Exchange Commission of Pakistan Act, 1997 or the rules made under these laws.
- 8.5 "Inside information" and "insider trading" shall have the same meaning as ascribed thereto in the Securities and Exchange Ordinance, 1969.
- 8.6 If any Option Holder is found involved in or suspected of insider trading, the Options granted to him but not yet exercised shall be withdrawn.
- 9. Expenses**
- 9.1 Any expenses of the Company involved in any issue of Shares in the name of any Option Holder shall be payable by the Company.
- 10. General**
- 10.1 Any notification or other notice in writing which the Company is required to give, or may desire to give, to any Eligible Employee or Option Holder (or his legal representative, as the case may be) in pursuance of this Plan shall be sufficiently given if delivered to him by hand or sent through post in prepaid cover addressed to the Eligible Employee or Option Holder at the last address known to the Company as being his address. Any certificate, notification or other notice in writing required to be given to the Company or the Secretary of the Company shall be properly given if sent to or delivered to the registered office of the Company.
- 10.2 The Board shall, at all times, keep available for issue such authorized and un-issued Shares as may be required to meet the subsisting subscription rights of the Option Holders.
- 10.3 The decision of the CC in any dispute or question relating to any Option shall be final and conclusive, subject to the written confirmation of the auditors of the Company whenever required in the determination of the break-up value or fair value of the Shares for the purposes of this Plan.
- 10.4 Participation in this Plan by an Option Holder is a matter entirely separate from any gratuity, provident fund or pension right or entitlement he may have and from his terms or conditions of Employment and participation in this Plan shall in no respects whatsoever affect in any way an Option Holder's other rights or entitlement or terms or conditions of his Employment. In particular (but without limiting the generality of the foregoing words) any Option Holder who leaves Employment shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit under this Plan which he might have otherwise enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or breach of contract or by way of compensation for loss of office or otherwise howsoever.

- 10.5 If a provision of this Plan is or becomes illegal, invalid or unenforceable, that shall not affect the legality, validity or enforceability of any other provision of this Plan.
- 10.6 In case of a conflict between the provisions of this Plan and the provisions of the Ordinance or the Rules (as the case may be), the provisions of the Ordinance or Rules (as the case may be) shall prevail.
- 10.7 In approving this Plan, the shareholders of the Company shall be deemed to be expressly permitting issuance, from time to time, of Shares under or pursuant to the Options granted hereunder as shares other than right shares.
- 11. Modifications and Alterations:**
- 11.1 The terms of this Plan may at any time be modified or altered only in accordance with rule 7 of the Rules.
- 11.2 Rights already vested in Option Holders' by the grant of Options cannot be retrospectively altered or modified to the Option Holders' detriment by any alteration or modification to the Plan.
- 12. Supersede**
- 12.1 This Plan shall supersede and replace all existing employee Share Option Plans of the Company (if any).
- 13. Termination**
- 13.1 The Board may at any time resolve to terminate this Plan in which event no further or new Options shall be granted, but the provisions of this Plan shall in relation to Options then subsisting shall continue in full force and effect.

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Treet Corporation Limited ("the Company") for the year ended 30 June 2014 to comply with the requirements of Listing Regulation no 35 of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a 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 of Director'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.


The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of the requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended 30 June 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the following notes where these are stated in the Statement of Compliance:

	Reference of statement of compliance	Description
i.	Note 1	The election of directors was held on 30 June 2014 and the new term of directors begins from 01 July 2014. However, the newly appointed Board does not have an independent director as required under clause i (b) of the Code.
ii.	Note 17	As per the requirement of clause xxiv of the Code, the HR committee should have majority of non executive directors. This requirement has not been complied with as of 30 June 2014.
iii.	Note 23(a)	As per the requirement of clause v (e) of the Code, the Board had to put in place a mechanism for its own evaluation. This requirement has not been complied with as of 30 June 2014.

Lahore
Date: September 29, 2014


KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Consolidated Financial Statements

For the year ended 30 June 2014

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 2014 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, Global Arts 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.

The Group's share of profit from associate of Rs.44.48 million, taxation relating to associate of Rs.10.61 million and share of other comprehensive loss of Rs.1.71 million shown in the consolidated profit and loss account, consolidated statement of comprehensive income and note 8.2 to the consolidated financial statements are based on unaudited financial statements of the associate.

In our opinion, except for the effects of matter referred to in the preceding paragraph, the consolidated financial statements present fairly the consolidated financial position of Treet Corporation Limited and its subsidiary companies as at 30 June 2014 and the consolidated results of their operations for the year then ended.

Lahore
Date: September 29, 2014


KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Consolidated Balance Sheet

as at June 30, 2014

	Note	2014	2013	2012
		(Rupees in thousand)		
			(Restated)	(Restated)
Assets				
Non-current assets				
Property, plant and equipment	7	3,081,461	2,289,494	2,107,107
Investment property		-	-	55,939
Long term investments	8	234,646	214,920	196,584
Long term loans	9	17,066	15,538	57,072
Long term deposits	10	33,756	24,440	16,305
		3,366,929	2,544,392	2,433,007
Current assets				
Stores and spares	11	235,011	186,364	213,609
Stock-in-trade	12	968,903	927,275	946,859
Trade debts	13	613,934	471,524	498,659
Short term investments	14	632,327	540,381	398,491
Loans, advances, deposits, prepayments and other receivables	15	677,046	585,927	588,691
Cash and bank balances	16	662,752	338,025	589,921
		3,789,973	3,049,496	3,236,230
Non-current assets held for sale	17	88,473	88,473	88,473
		3,878,446	3,137,969	3,324,703
Liabilities				
Current liabilities				
Current portion of non-current liabilities	22	179,417	179,417	-
Short term borrowings	18	797,357	576,180	1,690,116
Loan from directors		-	-	350,000
Trade and other payables	19	720,250	638,875	754,489
Accrued mark-up	20	299,513	293,514	49,000
Provision for taxation		43,656	26,211	105,340
		2,040,193	1,714,197	2,948,945
Net current assets / (liabilities)		1,838,253	1,423,772	375,758
Non-current liabilities				
Long term deposits	21	467	2,531	2,489
Redeemable capital	22	895,834	1,075,251	-
Deferred taxation	23	56,307	55,160	76,079
		952,608	1,132,942	78,568
Contingencies and commitments	24			
		4,252,574	2,835,222	2,730,197
Represented by:				
Authorized capital				
70,000,000 (2013: 70,000,000) ordinary shares of Rs. 10 each		700,000	700,000	700,000
10,000,000 (2013: 10,000,000) preference shares of Rs. 10 each		100,000	100,000	100,000
		800,000	800,000	800,000
Issued, subscribed and paid up capital	25	510,231	418,221	418,222
Reserves	26	1,108,785	489,127	458,328
Unappropriated profit		1,275,337	1,186,157	1,106,783
Owner's equity		2,894,353	2,093,505	1,983,333
Non-controlling interest		2,262	2,207	2,200
		2,896,615	2,095,712	1,985,533
Surplus on revaluation of property, plant and equipment	27	1,355,959	739,510	744,664
		4,252,574	2,835,222	2,730,197

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

Consolidated Profit and Loss Account

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013 (Restated)
Sales - net	28	7,062,133	5,953,868
Cost of sales	29	5,637,817	4,619,065
Gross profit		1,424,316	1,334,803
Administrative expenses	30	162,912	157,454
Distribution cost	31	959,702	886,807
		1,122,614	1,044,261
Operating profit		301,702	290,542
Finance cost	32	363,905	404,091
Other operating expenses	33	9,183	7,794
		373,088	411,885
Other income	34	289,171	333,918
Share of profit of associate		44,485	31,147
		262,270	243,722
Workers' profit participation fund		11,424	12,789
Workers' welfare fund		4,324	4,886
		15,748	17,675
Profit before taxation		246,522	226,047
Taxation			
- Group	35	1,353	(389)
- Associate	8.2.1	10,608	11,396
		11,961	11,007
Profit after taxation		234,561	215,040
<i>Attributable to:</i>			
Equity holders of the parent		234,436	214,853
Non-controlling interest		125	187
		234,561	215,040
Earnings per share - basic and diluted (Rupees)	43	4.90	(Restated) 4.92

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	2014	2013
	(Rupees in thousand)	
		(Restated)
Profit after taxation	234,561	215,040
<i>Other comprehensive income</i>		
<i>Items that are or may be subsequently reclassified to profit or loss:</i>		
<i>Unrealized loss on available-for-sale investments</i>	(1,707)	(1,309)
<i>Items that will not be reclassified to profit or loss account:</i>		
Re-measurement of employee retirement benefits - net of tax	(26,766)	(24,858)
Total comprehensive income for the year	206,088	188,873
<i>Attributable to:</i>		(Restated)
Equity holders of the parent	205,963	188,686
Non-controlling interest	125	187
	206,088	188,873

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

Consolidated Cash Flow Statement

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
Cash generated from operations	41	458,177	542,287
Finance cost paid		(357,906)	(159,577)
Taxes paid		(126,909)	(136,448)
WPPF and WWF paid		(16,308)	(21,233)
Payment to gratuity fund and superannuation fund		(25,357)	(33,715)
		(526,480)	(350,973)
Net cash (used in)/generated from operating activities		(68,303)	191,314
Cash flows from investing activities			
Fixed capital expenditure		(304,110)	(339,643)
Proceeds from sale of property, plant and equipment		36,179	36,292
Proceeds from sale of investment property		-	68,860
Long term investments		10,757	123
Long term loans and deposits		(10,844)	33,399
Interest received		17,007	15,946
Dividend received		12,031	36,311
Net cash (used in)/generated from investing activities		(238,980)	(148,712)
Cash flows from financing activities			
Long term deposits		(2,064)	1,552
Loan from directors		-	(350,000)
(Redemption) / proceeds from participation term certificates		(6,273)	1,254,668
Proceeds from issue of right shares		501,867	-
Short term borrowings		127,247	(561,265)
Dividend paid		(82,697)	(86,782)
Net cash generated from financing activities		538,080	258,173
Net increase in cash and cash equivalents		230,797	300,775
Cash and cash equivalents at the beginning of year		299,430	(1,345)
Cash and cash equivalents at the end of year	42	530,227	299,430

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Capital Reserves			Revenue Reserves		Total equity attributable to shareholders of parent company	Non - controlling Interest	Total shareholders equity	
	Share Capital	Capital Reserve	Fair Value Reserve	Statutory Reserve	General Reserve				Un-appropriated Profit
------(Rupees in thousand)-----									
Balance as at 01 July 2012 - as previously reported	418,222	8,949	3,019	179,960	266,400	1,137,871	2,014,421	2,200	2,016,621
Effect of retrospective application of change in accounting policy as referred in note 6	-	-	-	-	-	(31,088)	(31,088)	-	(31,088)
Balance as at 30 June 2012 -restated	418,222	8,949	3,019	179,960	266,400	1,106,783	1,983,333	2,200	1,985,533
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-restated	-	-	(1,309)	-	-	214,853	213,544	187	213,731
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(180)	(180)
Effect of retrospective application of change in accounting policy as referred in note 6	-	-	-	-	-	(24,858)	(24,858)	-	(24,858)
Balance as at 30 June 2013 - restated	418,222	8,949	1,687	212,091	266,400	1,186,157	2,093,506	2,207	2,095,713
Right issue of ordinary shares @ 15%	62,733	439,134	-	-	-	-	501,867	-	501,867
Conversion of PTCs into ordinary shares @ 0.07 shares per PTC	29,276	143,869	-	-	-	-	173,145	-	173,145
Final dividend @ 20 % for the year ended 30 June 2013	-	-	-	-	-	(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	-	-	-	40,000	-	(40,000)	-	-	-
Realised gain on disposal of available for sale investments transferred to profit and loss	-	-	(1,638)	-	-	-	(1,638)	-	(1,638)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(70)	(70)
Total comprehensive income for the year	-	-	(1,707)	-	-	207,670	205,963	125	206,088
	510,231	591,952	(1,658)	252,091	266,400	1,275,337	2,894,353	2,262	2,896,615

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

1 Status and nature of the business

The Group comprises of :

Holding Group

- Treet Corporation Limited

	2014	2013
	(Holding percentage)	
Subsidiary companies		
- Global Econo Trade (Private) Limited	100%	100%
- First Treet Manufacturing Modaraba	99.8%	99.8%
- TCL Labor-Hire Company (Private) Limited	100%	100%
- Global Arts Limited, previously Treet Services (Private) Limited	100%	100%
- Treet Power Limited	100%	100%
Associate		
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. The registered office of the Holding Company is situated at 72-B, Industrial Area, Kot Lakhpat, Lahore.

Global Econo Trade (Private) Limited (GET) 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 marketing and sale of razors and razor blades manufactured by the company. Global Econo Trade (Private) Limited is also engaged in the business of manufacturing and sale 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 board and soaps.

Subsequent to year end, the Board of Directors of modaraba management company approved the sale of non-current assets including land, building and plant and machinery of paper and board mill division of the Modaraba. In line with the decision taken by the Board, the Modaraba entered into a sale agreement dated 03 September 2014 to sell off non-current assets including land, building and plant and machinery of its paper and board mill division against the consideration amounting to Rs. 162 million.

TCL Labor-Hire Company (Private) Limited was incorporated in Pakistan on 18 September 2006 as a private limited company under the Companies Ordinance, 1984. TCL Labor-Hire Company (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 is situated at 72-B, Industrial Area Kot Lakhpat, Lahore.

Global Art Limited, previously, Treet Services (Private) Limited was incorporated in Pakistan on 26 October 2007 as a private limited company under the Companies Ordinance, 1984. Subsequently, on 23 July 2014, the Company was converted into a public limited company. The company 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, its subsidiary companies and its associate as at 30 June 2014.

(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 intracompany balances, transactions, income and expenses and profits and losses resulting from intracompany transactions that are recognized 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.

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. Non-controlling interest is recorded at fair value at the time of acquisition.

(b) 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 recognized in the profit and loss account, its share of post-acquisition other comprehensive income is recognized in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognized in balance sheet. 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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

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 Accounting Standards 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 freehold land and buildings are stated at revalued amounts. In these consolidated financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

2.3 Functional and presentational currency

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

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 Group's financial statements or where judgments were exercised in application of accounting policies are as follows:

	Note
- Employee retirement benefits	5.1
- Provision for taxation	5.2
- Residual values and useful lives of property, plant and equipment	5.3
- Provisions	5.19
- Contingent liabilities	5.24

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 01 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.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 01 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.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 01 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.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 01 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 01 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 "Intangible Assets" and IAS 16 "Property, Plant and Equipment" (effective for annual periods beginning on or after 01 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 01 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 01 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 01 January 2016.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 01 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 01 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 01 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 01 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

5 Summary of significant accounting policies

5.1 Employee retirement benefits

Defined contribution plans

The Group has maintained four contributory schemes for the employees, namely provident fund, service fund, housing fund and benevolent fund.

- i) A recognized contributory provident fund scheme namely "Treet Corporation Limited - Group Employees Provident Fund" is in operation covering all permanent employees. Equal monthly contributions are made both by the Group and employees in accordance with the rules of the scheme @ 10% of the basic salary.
- ii) A recognized contributory fund scheme namely "Treet Corporation Limited - Group Employee Service Fund" is in operation which covers all permanent management employees. In accordance with the rules of the scheme, equal monthly contributions are made both by the Group and employees @ 10% of basic salary from the date the employee gets permanent status. Additional contributions may be made by the Group for those employees who have at most 15 years of service remaining before reaching retirement age, however, employees can start their additional contribution above the threshold limit of 10% of the basic salary at any time.
- iii) A recognized contributory fund scheme namely "Treet Corporation Limited - Group Employees Benevolent Fund" in operation for the benefit of employees if the employee opts for the scheme. The contributions to the fund are made @ 10% of employees basic salary on monthly basis by both employee and the employer. Periodic bonuses by the Group to all the employees in any year, not exceeding one month's basic salary of an employee, is credited to his personal account in the Fund at the sole discretion of the Group.
- iv) An unrecognized contributory fund scheme namely, "Treet Corporation Limited - Group Employees Housing Fund Scheme" is in operation covering permanent management employees with minimum five years of service with the Group. Equal contributions are made monthly both by the Group and employees in accordance with the rules of the Scheme at 20% of the basic pay.

Defined benefit plans

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

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

As referred to in note 6, the Group has changed its accounting policy with respect to the recognition of actuarial gains and losses related to its defined benefit plan.

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

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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.

Tax has not been provided for with respect to the income of First Treet Manufacturing Modaraba, as the Modaraba intends to avail income tax exemption by distributing 90% of its profits to the certificate holders.

Deferred

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax assets are recognized 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 utilized.

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

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

5.3 Property, plant and equipment

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

Surplus on revaluation of property, plant and equipment is credited to the surplus on revaluation account. To the extent of the incremental depreciation charged on the revalued assets the related surplus on revaluation of property, plant and equipment is transferred directly to un-appropriated profit.

Capitalization threshold

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

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

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.

Depreciation is charged to income, unless it is included in the carrying amount of another asset, on straight line method whereby cost of an asset is written off over its estimated useful life at the rates given in note 7.1.

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. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

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

Residual value and the useful life of an asset are reviewed at least at each financial year-end.

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and cost of the item can be measured reliably. All other repairs and maintenance costs are charged to 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 properties of the Group comprised 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 Non-current assets held for sale

Non-current asset are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and sale is considered highly probable. They are stated at lower of carrying amount and fair value less costs to sell.

Notes to the Consolidated Financial Statements

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5.7 Investments

Investments available for sale

Investments classified as investments available for sale are initially recognized 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 reliably. 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. Unrealized gains and losses arising from changes in fair values are directly recognized in equity in the period in which these arise.

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.

At each balance sheet date, the Group reviews the carrying amounts of the investment to assess whether there is any indication that any investment has suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

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.

5.8 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 recognized 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 recognized, 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.

5.9 Stores and spares

These are valued at the moving average cost except for items in transit, which are valued at invoice price and related expenses incurred 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.

5.10 Stock-in-trade

Stock of raw materials, packing materials, work-in-process and finished goods is valued at lower of moving average cost 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.

5.11 Trade debts

Trade debts are carried at original invoice amount which is the fair value of consideration receivable 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.

5.12 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.

5.13 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 recognized 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.

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5.14 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.

5.15 Financial instruments

- (i) Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.
- (ii) Financial assets are de-recognized when the Group loses control of the contractual rights that comprise the financial asset.
- (iii) Financial liabilities are de-recognized 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 recognized amount and the group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

5.16 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.

5.17 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.

5.18 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.19 Provisions

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

5.20 Research and development costs

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

5.21 Dividends

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

5.22 Segment reporting

Operating segments are reported in manner consistent with internal reporting structure. Management monitors the operating results of its business units separately for the purpose making decisions regarding the resource allocation and performance assessment.

Segment results, asset and liabilities include items directly attributable to segment as well as those that can be allocated on reasonable basis. Segment assets consists primarily of stores and spares, stock-in-trade and trade debts. Segment liabilities consist of operating liabilities and exclude items such as taxation and corporate.

5.23 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 becomes virtually certain.

5.24 Contingent liabilities

A contingent liability is disclosed when:

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

6 Change in accounting policy - Employee retirement benefits

During the year, as a result of revision in IAS 19 "Employee Benefits", the Group has changed its accounting policy with respect to the recognition of actuarial gains and losses related to its defined benefit plans.

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Under revised IAS 19, the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then - net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. All the changes in the present value of defined benefit obligation are now recognized in statement of comprehensive income and the past service costs are recognized in profit and loss account, immediately in the period they occur.

Previously, the Group recognized actuarial gains/losses over the expected average remaining working lives of the current employees, to the extent that unrecognized actuarial gains/losses exceeds 10 percent of present value of defined benefit obligation.

The change in accounting policy has been applied retrospectively and resulted in the following changes:

		2013	2012
		(Rupees in thousand)	
a)	Balance sheet		
	Increase in employee retirement benefits obligation	65,892	37,258
	Decrease in deferred tax liability	(10,714)	(6,170)
	Decrease in unappropriated profit	(55,178)	(31,088)

		2013
		(Rupees in thousand)
b)	Statement of comprehensive income	
	Decrease in other comprehensive income due to re-measurement of employee retirement benefits - net of tax	24,858

		2014	2013
		(Rupees in thousand)	
7	Property, plant and equipment		
	Operating fixed assets	2,945,120	1,960,341
	Capital work-in-progress	136,341	329,153
		3,081,461	2,289,494

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
7.1.2	Depreciation charge for the year has been allocated as follows:		
Cost of goods sold - blades	29.1	78,426	72,228
Cost of goods sold - soap	29.2	2,758	2,688
Cost of goods sold - packaging solutions- corrugated boxes	29.3	23,823	13,349
Cost of goods sold - bike	29.4	1,218	1,214
Cost of goods sold - paper and board mill	29.5	15,087	12,932
		121,312	102,411
Administrative expenses	30.1	26,838	25,242
Distribution cost	31.1	7,459	8,472
		155,609	136,125

7.1.3 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). Subsequently, freehold land and buildings were revalued on 30 June 2009 by M/s BFA (Private) Limited (Member of Insurance Surveyors Association of Pakistan) resulting in net surplus of Rs. 642.57 million. As at year end, land and buildings have been revalued by M/s Zafar Iqbal & Co (PBA approved valuers, inspectors and engineers) resulting in surplus of Rs. 656.72 million. Land was revalued on the basis of current market value and buildings have been revalued on the basis of replacement value.

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

	2014 (Rupees in thousand)	2013
Land	194,598	111,933
Buildings	352,667	193,281
	547,265	305,214

7.1.5 The following assets were disposed off during the year:

Particulars	Cost	Accumulated depreciation	Book value	Profit	Sale proceeds	Mode of disposal	Sold to employees
----- (Rupees in thousand) -----							
Vehicles							
Honda Civic	1,795	1,730	65	525	590	Company scheme	Mr. Imran Aziz
Suzuki Alto	474	403	71	391	462	Company scheme	Mr. Muhammad Arif
Suzuki Alto	350	280	70	280	350	Company scheme	Mr. Nadeem Mughal
Suzuki Cultus	845	593	252	25	277	Company scheme	Mr. Ayaz Ahmad
Honda City	1,269	975	294	713	1,007	Company scheme	Mr. Ijaz-ul-Haq
Suzuki Alto	545	354	191	32	223	Company scheme	Mr. Wasif Rasheed
Suzuki Mehran	300	222	78	222	300	Company scheme	Mr. Mudassar Naseem
Suzuki Alto	600	455	145	184	329	Company scheme	Mr. Rabie Khan
Honda City	1,574	702	872	450	1,322	Company scheme	Mr. Nisar Ahmad
Suzuki Alto	560	256	304	19	323	Company scheme	Mr. Muhammad Azeem
Suzuki Cultus	650	279	371	279	650	Company scheme	Mr. Sheraz Mujeeb
Honda City	1,608	270	1,338	100	1,438	Company scheme	Mr. Yunus Khan
Corolla GLI	2,080	454	1,627	(367)	1,260	Company scheme	Mr. Tariq Aziz
Suzuki Cultus	650	87	563	87	650	Company scheme	Mr. Jamil Malik
Suzuki Cultus	650	183	466	184	650	Company scheme	Mr. Muhammad Ali
Honda motor cycle	97	11	86	12	97	Company scheme	Mr. Azeem Kamran
Treet motor cycle	55	3	52	3	55	Company scheme	Mr. Muhammad Arshad
Treet motor cycle	55	3	52	3	55	Company scheme	Mr. Zulfiqar Ahmed
Treet motor cycle	55	2	53	2	55	Company scheme	Mr. Asif Javaid
	14,212	7,262	6,950	3,144	10,094		
Other assets with book value less than Rs. 50,000	34,059	27,754	6,305	19,781	26,086		
2014	48,271	35,016	13,255	22,925	36,180		
2013	44,143	44,143	21,131	15,161	36,292		

	Note	2014 (Rupees in thousand)	2013
7.2 Capital work-in-progress			
Civil works		3,490	10,109
Plant and machinery		94,895	319,044
Advances for capital expenditure		37,956	-
		136,341	329,153

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	Note	2014 (Rupees in thousand)	2013
8 Long term investments			
Available for sale investments	8.1	15,004	27,449
Investment in associate - Loads Limited	8.2	219,642	187,471
		234,646	214,920
8.1 Available for sale investments			
Quoted investments	8.1.1	52	12,497
Un-quoted investments	8.1.2	14,952	14,952
		15,004	27,449

	Number of ordinary shares of Rs 10 each		Cost		Percentage of holding	
	2014	2013	2014	2013	2014	2013
	Number	Number	(Rupees in thousand)	(Rupees in thousand)	%	%
8.1.1 Quoted investments						
Associated companies						
ZIL Limited- Cost	500	500	3	3	0.009	0.009
Add: Unrealized gain			49	50		
Market value			52	53		
IGI Investment Bank Limited- Cost	-	6,549,549	-	10,807	-	3.09
Add: Unrealized gain			-	1,637		
Market value			-	12,444		
			52	12,497		

	Note	Latest available audited financial statements for the year ended	Number of ordinary shares of Rs 10 each		Cost		Percentage of holding	
			2014	2013	2014	2013	2014	2013
			Number	Number	(Rupees in thousand)	(Rupees in thousand)	%	%
8.1.2 Un-quoted investments								
Techlogix International Limited	8.1.2.1	31 December 2012	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 2013	956,172	956,172	10,150	10,150	2.46	2.26
Visionet Systems Incorporation	8.1.2.1	31 December 2013	36,891	36,891	3,247	3,247	2.27	2.27
					14,952	14,952		

- 8.1.2.1** The breakup value per share as per latest available audited financial statements for Techlogix International Limited, Systems Limited and Visionet Systems Incorporation is Rs. 3.37 (2013: Rs. 4.27), Rs. 29.89 (2013: Rs. 22.26) and Rs. 155.05 (2013: Rs. 124.4) per share respectively.
- 8.1.2.2** The ordinary shares of Loads Limited and Systems Limited have par value of Rs. 10 each, whereas, the ordinary shares of Techlogix International Limited and Visionet Systems Incorporation have par value of USD 0.00015 and USD 1, respectively.

	Note	2014 (Rupees in thousand)	2013
8.2 Investments in associated company - Loads Limited			
Cost		162,529	162,529
Share of post - acquisition profits	8.2.1	57,113	24,942
		219,642	187,471
8.2.1 Share of post - acquisition profits:			
Balance as at 01 July		24,942	5,192
Share of total comprehensive income		42,779	31,146
Share of taxation		(10,608)	(11,396)
Balance as at 30 June		57,113	24,942

The Group'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)-----				
2014	20.82%	1,808,510	607,529	2,323,126	113,779
2013	20.82%	1,745,740	654,350	2,462,129	102,711

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	Note	2014 (Rupees in thousand)	2013
9 Long term loans and advances			
Loan to housing fund - unsecured		-	1,848
Loans to employees - secured, considered good	9.1	8,492	8,895
Long term advance	9.4	19,805	17,003
Less : current portion			
Loan to housing fund - unsecured	15	-	(1,848)
Loan to employees - secured, considered good	15	(7,250)	(7,194)
Long term prepayments	15	(3,981)	(3,166)
		(11,231)	(12,208)
		17,066	15,538

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. 5.49 million (2013: Rs. 6.21 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	6,209	2,276
Disbursements	9,097	6,916
Repayments	(9,820)	(2,983)
Balance as at 30 June	5,486	6,209

9.3 The maximum amount due from the executives at the end of any month during the year was Rs. 5.49 million (2013: Rs. 6.21 million).

9.4 This represents advance given to Khatoon Industries (Private) Limited ("KIL") for rice husk boiler, laboratory and warehouse. The advance for rice husk boiler was given for equipment installation services amounting to Rs. 17.38 million and civil works amounting to Rs. 20.43 million and are adjustable against rent payable to KIL in lieu of use of soaps manufacturing facility in 97 and 36 equal monthly installments, respectively. The advance amounting to Rs. 5.82 million is given during the year for the construction of laboratory and warehouse and is also adjustable against rent payable to KIL in 84 equal monthly installments.

10 Long term deposits			
Utility deposits		21,654	21,579
Others		12,102	2,861
		33,756	24,440

	Note	2014 (Rupees in thousand)	2013
11 Stores and spares			
Stores		85,607	47,864
Spares	11.1	149,404	138,500
		235,011	186,364
11.1	It includes spares in transit amounting to Rs. 6.99 million (2013: Rs. 9.19 million).		
11.2	Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.		
12 Stock-in-trade			
Blades:			
Raw materials and packing material	12.1	345,641	363,580
Work-in-process		51,711	47,273
Finished goods	12.2	71,201	87,479
		468,553	498,332
Slow moving raw material stock written off	29.1	(1,542)	(1,193)
		467,011	497,139
Soaps:			
Raw and packing materials	12.1	102,700	91,143
Work-in-process	29.2	28,317	32,102
Finished goods	12.2	42,942	52,589
		173,959	175,834
Packaging solutions-corrugated boxes:			
Raw and packing materials	12.1	202,099	145,907
Work-in-process	29.3	4,790	5,198
Finished goods	29.3	16,275	18,854
		223,164	169,959
Motor Bike:			
Raw and packing materials		44,318	29,555
Work-in-process	29.4	39,266	34,955
		83,584	64,510
Paper and board mill:			
Raw and packing materials		14,750	17,515
Work-in-process	29.5	277	223
Finished goods	12.2	6,158	2,095
		21,185	19,833
		968,903	927,275

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12.1 These include raw material in transit of blades amounting to Rs. 54.55 million (2013: Rs. 40.95 million), raw material in transit of soaps amounting to Rs. 18.40 million (2013: Rs. 38.64 million) and raw material in transit of packaging solution amounting to Rs. 2.83 million (2013: Rs. 10.52 million).

12.2 The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounted to Rs. 12.19 million (2013: Rs. 9.77 million).

	Note	2014 (Rupees in thousand)	2013
13 Trade debts			
Foreign debtors			
- secured, considered good		57,339	12,095
- unsecured, considered good		84,604	58,400
		141,943	70,495
Local debtors			
- Considered good		471,991	401,029
- Considered doubtful		31,265	22,499
		503,256	423,528
Provision for doubtful debts	13.1	(31,265)	(22,499)
		613,934	471,524
13.1 The movement in provision for doubtful debts for the year is as follows:			
Balance as at 01 July		22,499	29,203
Provision for the year - net of recoveries	31.1	9,231	7,398
Bad debt written-off against provision		(465)	(3,923)
(Reversal) of provision for doubtful debts	34	-	(10,179)
Balance as at 30 June		31,265	22,499
14 Short term investments			
Investment at fair value through profit or loss			
Listed equity securities	14.1	632,327	522,153
Mutual funds	14.2	-	13,041
Future markets	14.3	-	5,187
		632,327	540,381

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

	Share certificates		Market value	
	2014 Number	2013 Number	2014 (Rupees in thousand)	2013
Sector /Companies				
Banks				
Bank Islami Pakistan Limited	-	400,000	-	2,606
Investment Capital Investment Bank Limited	-	200,000	-	312
Silk Bank Limited	15,492,000	149,500	31,914	338
Standard Chartered Bank Pakistan Limited	226,500	-	5,493	-
United Bank	10,000	-	1,686	-
Modaraba				
First Al Noor Modaraba	-	366,500	-	1,836
Sugar and allied industry				
Al-Noor Sugar Mills Limited	866,500	927,000	31,766	43,569
The Thal Industries Corporation Limited	315	25,315	15	1,005
Cable and electrical goods				
Siemens Pakistan Engineering Company Limited	-	55,400	-	36,076
Textile				
Indus Dyeing and Manufacturing Company Limited	468,310	450,010	337,642	265,281
Bannu Woolen Mills Limited	1,658,625	1,478,000	124,563	113,658
Sunrays Textiles Mills Limited	20,800	1,000	5,070	194
Island Textile Mills Limited	-	1,300	-	775
Shahtaj Textile Limited	694,800	309,000	75,344	11,433
Maqbool Textiles Mills Limited	355,000	-	7,721	-
Premium Textile Mills Limited	1,800	-	219	-
Hira Textiles Mills Limited	327,000	-	3,263	-
Paint				
Berger Paints Pakistan Limited	-	52,000	-	1,201
Akzo Nobel Pakistan Limited	-	549,800	-	33,059

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	Share certificates		Market value	
	2014 Number	2013 Number	2014 (Rupees in thousand)	2013
Miscellaneous				
Transmission Engineering Industries Limited	133,000	-	193	-
Baluchistan Wheels Limited	113,000	208,000	4,803	10,192
National Silk & Rayon Mills Limited	40,000	-	2,347	-
Bawany Air Products Limited	-	11,500	-	169
Emco Industries Limited	-	37,500	-	113
Leiner Pak Gelatine Limited	19,000	21,000	288	336
			632,327	522,153

14.1.1 Trading in the equity stocks of the Transmission Engineering Industries Limited was suspended as on 30 June 2014 by Karachi Stock Exchange.

14.2 Details of investment in mutual funds are stated below:

	Units		Market value	
	2014 Number	2013 Number	2014 (Rupees in thousand)	2013
First Habib Cash Fund	-	-	-	-
Trustee Pakistan Cash Management	-	26,081	-	1,317
Askari Sovereign Cash Fund	-	20,014	-	2,002
Atlas Money Market Fund	-	10,922	-	5,485
PICIC Cash Management Fund	-	10,942	-	1,098
JS Cash Fund	-	19,385	-	2,037
Faysal Money Market Fund	-	10,809	-	1,102
			-	13,041

14.3 Details of investment in future market is stated below:

	Ounces		Market value	
	2014 Number	2013 Number	2014 (Rupees in thousand)	2013
Investment in commodities (gold -spot future)	-	42	-	5,187

	Note	2014 (Rupees in thousand)	2013
15 Loans, advances, deposits, prepayments and other receivables			
Current portion of loan to housing fund - unsecured		-	1,848
Current portion of long term prepayments		3,981	3,166
Current portion of loan to employees - secured		7,250	7,194
	9	11,231	12,208
Advances to employees - secured, considered good	15.1	8,071	25,531
Advances to suppliers - unsecured			
Considered good		89,643	177,854
Considered doubtful		-	2,000
		89,643	179,854
Less: Provision for doubtful advance		-	(2,000)
		89,643	177,854
Advance income tax		381,365	272,333
Margin deposits - Letter of credits		16,989	5,461
Prepayments		12,555	17,926
Insurance claim receivable		745	655
Interest accrued		-	-
Advances to related parties			
Wazir Ali Industries Limited		13	-
Loads Limited		142	142
IGI Insurance Limited		15,000	-
	15.2	15,155	142
Receivable from statutory authorities			
Export rebate		46,010	32,931
Collector of customs		2,226	546
Sales tax		52,073	5,518
		100,309	38,995
Workers profit participation fund	15.3	8,581	8,583
Receivable from broker against sale of investments		2,708	353
Other receivables		29,694	25,886
		677,046	585,927

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- 15.1** These are interest free advances given to employees in respect of salary, medical and travelling expenses and are secured against employees retirement benefits. These include an aggregate amount of Rs. 1.76 million (2013: Rs. 1.09 million) receivable from executives of the Company. These also include an amount of Rs. 3.56 million (2013: Rs. 3.68 million) given to CEO for travelling for business purpose.
- 15.2** Advances given to these companies for purchase of goods or services under normal business trade as per the agreed terms.

	Note	2014 (Rupees in thousand)	2013
15.3 Workers' profit participation fund			
Balance (receivable) / payable as at 01 July		(8,583)	(5,372)
Add: Increase in delayed payment		221	-
Add: Charge for the year		11,424	12,789
		3,062	7,417
Less: Paid during the year		(11,643)	(16,000)
Balance (receivable) as at 30 June		(8,581)	(8,583)
16 Cash and bank balances			
Cash in hand		44,046	18,818
Cash at bank - local currency			
Current accounts		98,166	53,727
Saving accounts	16.1	520,540	265,480
		618,706	319,207
		662,752	338,025

- 16.1** These carry mark-up at the rates ranging from 7% to 8.75% per annum (2013: 6% to 8.25% per annum).

17 Non-current assets held for sale

These represent two pieces of land measuring 26 kanals and 9 marlas, and 138 kanals and 7 marlas located at 34 km Ferozepur Road, Lahore and Mauza Kacha, Kasur respectively.

The Group entered into sale agreements for sale of these pieces of land in 2011 and the sale agreement was expected to be completed after the receipt of full amount of sale consideration and transfer of title in the name of the buyer.

For the land measuring 26 kanals and 9 marlas, the buyer made full payment in 2012, however, the title has not been transferred to the buyer as some legal formalities are pending. The possession of the land has been transferred to the buyer as per the terms of the sale agreement. This piece of land has been classified as held for sale on the expectation that the title will be transferred to buyer upon completion of legal formalities in due course.

For the land measuring 138 kanals and 7 marlas, the buyer has made certain payments against the sale consideration amounting to Rs. 104 million (2013: Rs. 85 million). The buyer has requested for extension in the payment period which has been granted by the Group. The Group is committed to sell off this land to the existing buyer and expects to complete the transaction within next 12 months.

	Note	2014 (Rupees in thousand)	2013
18 Short term borrowings			
Short term running finance - secured	18.1	132,525	38,595
Export refinance - secured	18.2	664,832	537,585
		797,357	576,180

18.1 The Group has arranged facilities for short-term running finance from various banks under mark-up arrangement to the extent of Rs. 3,550 million (2013: Rs. 2,900 million). These carry mark-up at the rates ranging from 9.39% to 11.21% per annum (2013: 9.33% to 13.64% per annum). Running finance amounting to Rs. 2,225 million (2013: Rs. 1,575 million) can be interchangeably utilized as export running finance. These carry mark-up at the rate of 8.7% to 9% per annum (2013: 8.7% to 11% per annum).

18.2 All short term borrowings of the Group are secured by way of joint first pari passu hypothecation charge of Rs. 4,736 million (2013: 3,468 million) on the entire present and future current assets of the Holding Company.

19 Trade and other payables

Trade creditors			
Related parties	19.1	6,540	3,298
Others		94,463	90,990
		101,003	94,288
Other creditors			
Related parties	19.2	1,501	1,502
Others		49,031	18,268
		50,532	19,770
Payable against letter of credit		-	23,006
Accrued liabilities		236,256	160,100
Advances from customers		29,968	67,718
Advance against non-current assets held for sale		110,594	91,593
Payable to broker		-	4,386
Workers' welfare fund	19.3	4,324	4,886
Employees deposits		33,923	37,362
Unclaimed dividend		4,119	3,102
Payable to employees		1,191	833
Withholding sales tax payable		4,989	21,074
Income tax deducted at source		3,097	2,233
Retention money		490	1,510
Other payables		6,142	4,616

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		2014	2013
		(Rupees in thousand)	
	Payable to employee retirement benefit funds		
	- Payable to gratuity fund	72,079	49,647
	- Payable to superannuation fund	56,560	47,789
	- Payable to service fund	2,725	1,932
	- Payable to provident fund	2,258	3,030
		133,622	102,398
		720,250	638,875
19.1	Trade creditors		
	Packages Limited	6,178	2,586
	DIC Pakistan Limited	-	712
	Bulleh Shah Packaging (Private) Limited	362	-
		6,540	3,298
19.2	Related parties		
	ZIL Limited	25	26
	IGI Insurance Limited	13	13
	IGI Investment Bank Limited	1,463	1,463
		1,501	1,502
19.3	Workers' welfare fund		
	Balance as at 01 July	4,886	5,233
	Add: Charge for the year	4,324	4,886
		9,210	10,119
	Less: Paid during the year	(4,886)	(5,233)
	Balance as at 30 June	4,324	4,886
19.4	Employee retirement benefits		
	Movement in the liability recognized in the balance sheet in respect of following funded schemes is given below:		
	Gratuity fund	72,079	49,647
	Superannuation fund	56,560	47,789
		128,639	97,436
		19.4.1	

19.4.1 Present value of funded obligations

	Gratuity		Superannuation	
	2014	2013	2014	2013
------(Rupees in thousand)-----				
		(Restated)		(Restated)
Amounts recognized in balance sheet are as follows:				
Present value of defined benefit obligation	188,515	151,409	172,552	143,978
Fair value of plan assets	(116,436)	(101,762)	(115,992)	(96,189)
Net retirement benefit obligation	72,079	49,647	56,560	47,789
19.4.2 Movement in net obligation				
Net liability as at 01 July	49,647	37,549	47,788	31,253
Charge to profit and loss account	16,014	17,569	13,781	15,133
Re-measurements chargeable in other comprehensive income	23,212	12,746	9,741	16,900
Contribution made by the Company	(16,794)	(18,217)	(14,750)	(15,498)
Net liability as at 30 June	72,079	49,647	56,560	47,788
19.4.3 Movement in the liability for funded defined benefit obligations				
Liability for defined benefit obligations as at 01 July	151,409	123,212	143,978	117,516
Benefits paid by the plan	(14,170)	(14,854)	(13,301)	(16,598)
Current service costs	11,683	12,687	9,538	11,071
Interest cost	15,154	16,018	14,419	15,277
Re-measurements on obligation:				
Actuarial losses on present value				
- Changes in demographic assumptions	-	-	-	-
- Changes in financial assumptions	-	-	-	-
- Experience adjustments	24,439	14,346	17,918	16,712
	24,439	14,346	17,918	16,712
Liability for defined benefit obligations as at 30 June	188,515	151,409	172,552	143,978

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	Gratuity		Superannuation		
	2014	2013	2014	2013	
------(Rupees in thousand)-----					
		(Restated)		(Restated)	
19.4.4 Movement in fair value of plan assets					
Fair value of plan assets as at 01 July	101,762	85,663	96,189	86,264	
Contributions paid into the plan	16,794	18,217	14,750	15,498	
Benefits paid by the plan	(14,170)	(14,854)	(13,301)	(16,598)	
Interest income on plan assets	10,823	11,136	10,176	11,214	
Return on plan assets excluding interest income	1,227	1,600	8,178	(189)	
Fair value of plan assets as at 30 June	116,436	101,762	115,992	96,189	
	Note	Gratuity		Superannuation	
		2014	2013	2014	2013
------(Rupees in thousand)-----					
19.4.5 Plan assets consist of the following:					
Bond		75,949	71,772	92,080	72,723
Equity		41,008	13,037	20,998	12,792
Cash and other deposits		38	12,715	1,402	7,152
Others		(559)	4,238	1,511	3,522
	7.5.1	116,436	101,762	115,991	96,189
19.4.6 Plan assets					
Plan assets comprise:					
Term finance certificates		249	20,272	180	18,723
Listed securities		35,142	11,106	20,998	12,792
Deposits with banks		38	12,715	1,402	7,152
Investment in mutual funds		5,866	1,931	-	-
Government securities		75,700	51,500	91,900	54,000
Advance/ payable to other fund		(2,398)	1,443	-	-
Others		1,839	2,795	1,512	3,522
		116,436	101,762	115,992	96,189

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

	Gratuity		Superannuation	
	2014	2013	2014	2013
------(Rupees in thousand)-----				
		(Restated)		(Restated)
19.4.7 Profit and loss account includes the following in respect of retirement benefits:				
Interest cost	15,154	16,018	14,419	15,277
Current service cost	11,683	12,687	9,538	11,071
Interest income on plan assets	(10,823)	(11,136)	(10,176)	(11,214)
	16,014	17,569	13,781	15,134
19.4.8 Actual return on plan assets	12,050	12,736	18,354	11,025
19.4.9 Actuarial gains and (losses) recognized directly in other comprehensive income				
Cumulative amount at 01 July	(35,101)	(20,755)	(33,214)	(16,503)
Losses recognized during the year	(24,439)	(14,346)	(17,920)	(16,711)
Cumulative amount at 30 June	(59,540)	(35,101)	(51,134)	(33,214)

19.4.10 Historical Information for Gratuity fund

	2014	2013	2012	2011	2010
------(Rupees in thousand)-----					
Present value of defined benefit obligation	188,515	151,409	123,212	107,825	91,088
Fair value of the plan assets	(116,436)	(101,762)	(85,663)	(73,910)	(65,999)
Deficit in the plan	72,079	49,647	37,549	33,915	25,089
Experience adjustments arising on plan liabilities	24,439	14,346	531	7,368	78
Experience adjustments arising on plan assets	1,227	1,600	(100)	(283)	(1,521)

The Group expects to pay Rs. 19.54 million in contributions to gratuity fund in 2015.

19.4.11 Historical Information for Superannuation fund

Present value of defined benefit obligation	172,552	143,978	117,516	103,779	92,635
Fair value of plan assets	(115,992)	(96,189)	(86,264)	(74,632)	(67,315)
Deficit in the plan	56,560	47,789	31,252	29,147	25,320

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	2014	2013	2012	2011	2010
	------(Rupees in thousand)-----				
Experience adjustments arising on plan liabilities	17,918	16,712	686	3,172	(897)
Experience adjustments arising on plan assets	8,178	(189)	523	(342)	(163)

The Group expects to pay Rs. 25.03 million in contributions to superannuation fund in 2015.

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

	2014		2013	
	Gratuity fund per annum	Superannuation fund per annum	Gratuity fund per annum	Superannuation per annum
Discount rate used for profit and loss charge	11%	11%	13%	13%
Discount rate used for year-end obligation	13%	13%	11%	11%
Expected rates of salary increase	12%	12%	10%	10%
Expected rates of return on plan assets	11%	11%	11%	11%

Mortality rate

The rates assumed were based on the SLIC 2001 - 2005 with 1 year setback.

19.4.13 Actuarial assumptions sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the impact on the present value of the defined benefit obligation as at 30 June 2014 would have been as follows:

Change	Gratuity		Superannuation	
	Impact on present value of defined benefit obligation as at 30 June			
	Increase	Decrease	Increase	Decrease
	------(Rupees in thousand)-----			
Discount rate 100 bps	(174,153)	205,042	(158,773)	188,451
Future salary increase 100 bps	205,042	(173,912)	188,451	(158,543)

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

19.4.14 Weighted average duration of the defined benefit obligation is 8 years and 9 years for gratuity and pension plans, respectively.

19.5 The Group has set up provident fund for its permanent employees. The total charge against provident fund for the year was Rs. 24.65 million (2013: Rs. 14.21 million). The net assets based on unaudited financial statements of provident fund for the year ended 30 June 2014 amount to Rs. 324.21 million (2013: Rs. 273.85 million). The fair value of investments of provident fund was Rs. 259.19 million (2013: Rs. 245.23 million) and the cost of the investment was Rs. 237.27 million (2013: Rs. 241.68 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.

	2014 (Rupees in thousand)	2013	2014 %	2013 %
19.5.1 The break-up of fair value of investments is:				
Treasury bills	31,100	-	12%	0%
National saving bonds/ Special saving bonds	34,300	34,300	13%	14%
Pakistan investment bonds	68,500	68,500	27%	28%
National investment trust units	6,041	4,237	2%	2%
Mutual funds	5,140	5,651	2%	2%
Listed securities	39,693	41,576	15%	17%
Term finance certificates	3,375	19,741	1%	8%
Term deposit certificates	-	25,415	0%	10%
Participation term certificates	70,795	45,050	28%	19%
Account with broker for investment	249	762	0%	0%
	259,193	245,232	100%	100%

	2014 (Rupees in thousand)	2013
20 Accrued mark-up		
Participation term certificates	283,230	279,805
Short term borrowings	16,283	13,709
	299,513	293,514

21 Long term deposits

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

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		2014	2013
		(Rupees in thousand)	
22	Redeemable capital		
	Participation term certificates	1,075,251	1,254,668
	Less: Current portion shown under current liabilities	(179,417)	(179,417)
		895,834	1,075,251

In 2013, the Company issued 41,822,250 Participation Term Certificates (PTCs) of Rs. 30 each to existing shareholders in the ratio of 1 PTC for every 1 ordinary share held. The PTCs are listed on all the stock exchanges of Pakistan.

The PTCs are mandatorily convertible into ordinary shares through share conversion @ 0.07 share per PTC per annum from year 2013 to year 2018 and 0.08 share per PTC in the year 2019. The principal amount of PTCs will be reduced through redemption (in cash and through mandatory conversion). The PTCs shall be redeemed through cash @ Rs. 4.14 per annum from year 2013 to year 2018 and Rs. 4.4 for the year 2019.

The PTC holder is entitled to a minimum profit (Category A profit) at Rs. 4.14 per annum for each PTC, along with a contingent profit (Category B profit) based on the consolidated profits before tax, WWF, WPPF and finance cost relating to PTCs based on pay-off matrix. The pay-off matrix sets out various ranges for contingent profit pay out percentages.

The following table shows the redemption of PTC for the year 2014.

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" profit payment in cash	Category "B" profit payment in cash	Year
(----- Rupees in thousand -----)			Shares	(----- Rupees in thousand -----)				
6,273	173,144	179,417	2,927,557	29,276	143,868	179,417	110,086	2014
6,273	173,144	179,417	2,927,557	29,276	143,868	179,417	106,661	2013

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

Securities

The PTCs are secured by the following:

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 million over the present and future movable fixed assets of the 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.

	2014	2013
	(Rupees in thousand)	
23 Deferred taxation		
Deferred tax liability arising in respect of the following items:		
- Accelerated tax depreciation	102,964	77,182
- Surplus on revaluation of property, plant and equipment recognized during the year	35,117	-
- Capital gains on short term investments	13,378	-
- Undistributed profits of associates	21,277	-
	172,736	77,182
Deferred tax asset arising in respect of the following items:		
- Unabsorbed tax depreciation	(77,844)	(8,067)
- Unutilized tax credits	(21,344)	(2,555)
- Employee retirement benefits	(16,702)	(10,714)
- Provision for doubtful debts	(539)	(686)
	(116,429)	(22,022)
	56,307	55,160

23.1 Deferred tax asset on above items has been recognized on the expectation that future taxable profits will be available to the Company in the foreseeable future for realization of such asset.

23.2 Movement in deferred tax liability is as follows:

Balance as at 01 July	55,160	76,079
Net off against the surplus on revaluation of property, plant and equipment	35,117	-
Net off against re-measurement of employee retirement benefits recognized in other comprehensive income	(6,188)	(4,544)
Charged to profit and loss account	(27,782)	(16,375)
Balance as at 30 June	56,307	55,160

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24 Contingencies and commitments

24.1 Contingencies

Contingencies - The Holding Company

- A tax demand amounting to Rs. 14.8 million had been created by Additional Commissioner Inland Revenue under section 12(9A) of the repealed Income Tax Ordinance, 1979 for assessment year 2000-2001. The tax demand has been adjusted against income tax refunds of the Company for the tax year 2006. The Company has filed an appeal before Appellate Tribunal and is expecting a favorable outcome.
- A tax demand amounting to Rs. 16.05 million had been raised by the tax department against the Company on the issue of proration of profits between local and export sales for the tax year 2003 and 2006. In 2010, Appellate Tribunal dismissed the Company's appeal, however, the Company has filed an application under section 21 of General Clauses Act, 1997 to rescind or amend the order. Further, without conceding the legitimate position of this issue as stated above, a rectification application on account of incorrect computation has also been filed resulting in rectification amounting to Rs. 10.29 million. The Company is expecting a favorable outcome as this issue was decided in the favor of the Company in past.
- For the assessment year 1999 to 2000, the taxation officer charged additional tax amounting to Rs. 3.27 million on the grounds that the Company has been failed to deposit the due tax, on the basis of Company's return. The Company, on the grounds that the amount due has already been deposited, filed a rectification application on the basis that the mistake is apparent from the record.
- In tax year 2004, the Additional Commissioner Inland Revenue passed an order under section 122(5A) of the Income Tax Ordinance, 2001 on the issue of proration of profits between local and export sales and created a tax demand of Rs. 6.56 million. The Company filed an appeal before Commissioner Appeals who decided the matter against the Company. The Company has filed an appeal before Appellate Tribunal which is pending adjudication. The Company expects a favorable outcome from this appeal.
- A sales tax demand amounting to Rs. 1.56 million has been created by Deputy Commissioner Inland Revenue for alleged default of compliance of section 8(1)(CA) of the Sales Tax Act, 1990. The Company filed an appeal with Commissioner Appeals against this order and obtained relief of Rs. 0.42 million. The Company has also filed an appeal before Appellate Tribunal and expects a favorable outcome on the grounds that Honorable Lahore High Court has declared the provision of section 8(1)(CA) ultra-vires.

Contingencies - First Treet Manufacturing Modaraba

- For the tax years 2011 and 2012, the Deputy Commissioner Inland Revenue (DCIR) passed orders U/s 161 / 205 of the Income Tax Ordinance 2001 creating tax demands of Rs. 1.52 million and Rs. 41.36 million respectively. The Modaraba filed appeals against the orders passed by DCIR with Commissioner Inland Revenue (Appeal-II) who decided the matters in the favor of the Modaraba by deleting the tax demands. Tax department filed appeals against the decision of CIR with Appellate Tribunal Inland Revenue (ATIR). The matters are pending adjudication before ATIR. The management is of the view that favorable outcome is expected as the Modaraba is fully compliant of withholding tax provisions.
- Government of Pakistan made certain amendments in the WWF Ordinance, 1971 (WWF) through Finance Acts 2006 and 2008 against which appeals were filed with Honorable Lahore and Sindh High Courts for declaration of such amendments in WWF through Finance Acts unconstitutional. The Honorable Sindh High Court through its order dated 01 March 2013 declared the amendments made in the WWF through Finance Acts 2006 and 2008 constitutional, whereas, the Honorable Lahore High Court declared the amendments unconstitutional. One of the amendments made in WWF through Finance Act 2006 require the computation of WWF on the basis of higher of taxable income or accounting profits of the industrial establishment. In light of the above order of Honorable Sindh High Court, the cumulative provision for WWF on the basis of accounting profit comes out to Rs. 9.77 million. The management of the Modaraba is of the view that it does not come under the purview of the Honorable Sindh High Court and since the taxable income of the Modaraba is exempt from tax, hence no provision for WWF has been made in these financial statements. Government of Pakistan has taken the matter to Honorable Supreme Court where the matter is pending adjudication.

Contingencies - Global Econo Trade (Private) Limited

The Company is contingently liable to an income tax demand in the sum of Rs. 34.67 million as determined by the Deputy Commissioner Inland Revenue, under section 161/205 for the tax year 2009, where against the Company is in appeal before the Commissioner Inland Revenue (Appeals) pending adjudication at the terminal date. The Company is also contingently liable to another income tax demand in the sum of Rs.26.60 million as determined by the Additional Commissioner Inland Revenue, under section 221 for the tax year 2011, where-against the Company is also in appeal before the Commissioner Inland Revenue (Appeals). 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 financial statements.

24.2 Commitments

- Outstanding letters of credit as at 30 June 2014 amounted to Rs. 727.60 million (2013: Rs. 591.19 million).
- Post dated cheques amounting to Rs. 33.01 million (Rs. 118.11 million) have been issued in the favor of Collector of Customs.
- Outstanding guarantees amounting to Rs. 7.25 million (2013: Nil) have been issued.

Operating leases

The Group has availed its soaps manufacturing facility on operating lease. This lease runs for the maximum period of 10 years, with an option to renew after that date.

Notes to the Consolidated Financial Statements

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Future lease payments under the lease	Note	2014 (Rupees in thousand)	2013
agreements are:			
Not later than one year		9,796	9,070
Later than one year but not later than five years		47,671	44,140
Later than five years		14,393	27,720
		71,860	80,930

25 Issued, subscribed and paid-up capital

2014 (Number of shares)	2013		2014 (Rupees in thousand)	2013
8,867,412	2,594,075	Ordinary shares of Rs. 10 each fully paid-up in cash	88,674	25,940
4,022,557	1,095,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	40,226	10,950
38,133,175	38,133,175	Ordinary shares of Rs. 10 each fully issued as bonus shares	381,331	381,331
51,023,144	41,822,250		510,231	418,221

25.1 IGI Insurance Limited and Loads Limited, hold 5,442,060 and 3,268,820 (2013: 5,442,060 and 2,731,000) fully paid in cash ordinary shares of the Group of Rs. 10 each, respectively.

25.2 During the year Group issued 6,273,337 shares by way of right issue @ 15 shares per 100 shares held at a premium of Rs 70 per share amounting to Rs. 439.134 million.

25.3 The Group also issued 2,927,557 shares, against conversion of Participation Term Certificate (PTCs) into ordinary shares. The issue was made in lieu of mandatory conversion of PTCs @ 0.07 shares per PTC at a pre agreed price of Rs 59.14 per share resulting in a premium of Rs. 143.87 million.

26 Reserves

Capital reserves	26.1	266,400	266,400
General reserves		842,385	222,727
		1,108,785	489,127
26.1 Capital reserves			
Excess of net worth over purchase consideration of assets of Wazir Ali Industries Limited		629	629

		2014	2013
		(Rupees in thousand)	
Fair value reserves		(1,658)	1,687
Share premium	26.1.1	591,323	8,320
Statutory reserves	26.1.2	252,091	212,091
		842,385	222,727

26.1.1 This reserve can be utilized by the Group only for the purposes specified under section 82(2) of the Companies Ordinance, 1984.

26.1.2 This represents profit set aside in compliance with the requirements of Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan and is not available for distribution.

27 Surplus on revaluation of property, plant and equipment - net of tax

Balance as at 01 July		739,510	744,664
- Surplus arising during the year - net of tax		621,603	-
- Transferred to unappropriated profit as a result of incremental depreciation charged - net of tax		(5,154)	(5,154)
		616,449	(5,154)
Balance as at 30 June		1,355,959	739,510

28 Sales - net

Blades	28.1	4,153,281	3,425,135
Soaps	28.2	811,300	718,363
Packing material	28.3	1,620,740	1,311,748
Motor Bike	28.4	368,706	352,893
Paper and board mill	28.5	108,106	145,729
		7,062,133	5,953,868

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

		2014	2013
		(Rupees in thousand)	
28.1	Blades		
	Local Sales	2,579,181	2,407,372
	Export Sales	2,007,813	1,409,699
		4,586,994	3,817,071
	Less: Sales tax	382,309	328,811
	Trade discount	51,404	63,125
		433,713	391,936
		4,153,281	3,425,135
28.2	Soaps		
	Local Sales	976,008	861,673
	Less: Sales tax	164,708	143,310
	Trade discount	-	-
		164,708	143,310
		811,300	718,363
28.3	Packaging solutions- Corrugated boxes		
	Local Sales	1,893,314	1,519,482
	Less: Sales tax	272,087	207,575
	Trade discount	487	159
		272,574	207,734
		1,620,740	1,311,748
28.4	Motor Bike		
	Local Sales	436,854	413,874
	Less: Sales tax	66,240	57,678
	Trade discount	1,908	3,303
		68,148	60,981
		368,706	352,893

		Note	2014 (Rupees in thousand)	2013
28.5	Paper and board mill			
	Local Sales		125,216	168,692
	Less: Sales tax		17,110	22,543
	Trade discount		-	420
			17,110	22,963
			108,106	145,729
29	Cost of goods sold			
	Blades	29.1	2,917,232	2,339,834
	Soaps	29.2	774,819	625,531
	Packaging solutions- Corrugated boxes	29.3	1,086,402	874,260
	Bike	29.4	388,622	346,702
	Paper and board mill	29.5	470,742	432,738
			5,637,817	4,619,065
			2014	2013
			(Rupees in thousand)	
				(Restated)
29.1	Cost of goods sold - blades			
	Raw and packing materials consumed		1,636,645	1,326,691
	Stores and spares consumed		150,287	106,923
	Salaries, wages and other benefits	29.1.1	620,300	528,477
	Fuel and power		291,983	212,600
	Repair and maintenance		27,949	17,851
	Rent, rates and taxes		2,331	2,662
	Insurance		37,796	33,248
	Travelling and conveyance		24,403	16,952
	Printing and stationery		2,943	2,723
	Postage and telephone		5,595	4,832
	Legal and professional charges		1,867	1,142
	Entertainment		793	1,361
	Staff training		655	414
	Subscriptions		627	1,089
	Depreciation	7.1.2	78,426	72,228
	Ijarah lease rentals		-	484
	Expenses for computerization		6,323	4,779
	Raw material not useable written off	12	1,542	1,193
	Others		14,927	14,049
			2,905,392	2,349,698

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	Note	2014 (Rupees in thousand)	2013 (Restated)
Opening stock of work-in-process		47,273	47,305
Closing stock of work-in-process	12	(51,711)	(47,273)
Cost of goods manufactured		2,900,954	2,349,730
Opening stock of finished goods		87,479	77,583
Closing stock of finished goods	12	(71,201)	(87,479)
		2,917,232	2,339,834

29.1.1 Salaries, wages and other benefits include Rs. 23.64 million (2013: Rs. 10.25 million) and Rs. 22.38 million (2013: Rs. 9.20 million) in respect of defined benefit schemes and defined contribution schemes, respectively.

29.2 Cost of goods sold - soaps

Raw and packing materials consumed		629,037	554,098
Stores and spares consumed		13,546	6,584
Salaries, wages and other benefits		37,949	32,638
Fuel and power		61,529	44,281
Travelling and conveyance		516	406
Repair and maintenance		1,475	762
Plant rental		9,070	5,898
Insurance		546	571
Fee and subscriptions		15	15
Depreciation on property, plant and equipment	7.1.2	2,758	2,688
Rent, rates and taxes		86	-
Manufacturing charges		4,834	1,150
Legal and professional expenses		26	29
		761,387	649,120
Opening stock of work-in-process		32,102	34,913
Closing stock of work-in-process	12	(28,317)	(32,102)
Cost of goods manufactured		765,172	651,931
Opening stock of finished goods		52,589	26,189
Closing stock of finished goods		(42,942)	(52,589)
		774,819	625,531

	Note	2014 (Rupees in thousand)	2013
29.3 Cost of goods sold - packaging solution corrugated boxes			
Raw material and packing material consumed		813,488	691,439
Stores and spares consumed		28,159	30,814
Salaries, wages and other benefits		133,068	88,705
Fuel and power		62,554	47,685
Repair and maintenance		13,928	7,971
Rent rates and taxes		314	1,763
Insurance		1,815	1,612
Travelling and conveyance		3,485	4,517
Depreciation	7.1.2	23,823	13,349
Other expenses		2,781	2,304
		1,083,415	890,159
Opening stock of work-in-process		5,198	3,044
Closing stock of work-in-process	12	(4,790)	(5,198)
Cost of goods manufactured		1,083,823	888,005
Opening stock of finished goods		18,854	5,109
Closing stock of finished goods		(16,275)	(18,854)
		1,086,402	874,260
29.4 Cost of goods sold - bike			
Raw material and packing material consumed		372,048	354,264
Stores and spares consumed		1,010	625
Salaries, wages and other benefits		14,496	10,288
Fuel and power		124	-
Repair and maintenance		1,813	1,667
Printing and stationery		325	125
Travelling and conveyance		234	485
Depreciation	7.1.2	1,218	1,214
Other expenses		1,665	968
		392,933	369,636
Opening stock of work-in-process		34,955	12,021
Closing stock of work-in-process	12	(39,266)	(34,955)
Cost of goods manufactured		388,622	346,702
Opening stock of finished goods		-	-
Closing stock of finished goods		-	-
		388,622	346,702

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For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
29.5 Cost of goods sold - paper and board mill			
Raw material and packing material consumed		233,598	224,257
Stores and spares consumed		14,455	16,351
Salaries, wages and other benefits		45,892	43,202
Fuel and power		157,501	120,023
Repair and maintenance		5,917	5,272
Travelling and conveyance		362	567
Rent rates and taxes		404	1,359
Insurance		1,094	1,125
Depreciation	7.1.2	15,087	12,932
Legal and professional expenses		74	20
Other manufacturing expenses		475	543
Cost of goods manufactured		474,859	425,651
Opening stock of work in process		223	191
Closing stock of work in process	12	(277)	(223)
Cost of goods manufactured		474,805	425,619
Opening stock of finished goods		2,095	9,214
Closing stock of finished goods		(6,158)	(2,095)
		470,742	432,738

	Note	2014 (Rupees in thousand)	2013
30 Administrative expenses			
Salaries and other benefits	30.1	81,879	56,916
Electricity and gas		482	548
Repairs and maintenance		798	1,112
Rent, rates and taxes		351	15,572
Travelling and conveyance		3,357	3,044
Entertainment		950	1,934
Staff training		120	32
Postage and telephone		703	539
Printing and stationery		2,278	1,369
Legal and professional charges	30.2	33,526	24,472
Donations	30.3	8,160	11,864
Computer expenses		1,973	1,396
Directors' fee		320	260
Subscription		10	21
Depreciation on property, plant and equipment	7.1.2	26,838	25,242
Depreciation on investment property		-	729
Other expenses		1,167	12,404
		162,912	157,454
30.1	Salaries and other benefits include Rs. 1.47 million (2013: Rs. 1.12 million) and Rs. 7.95 million (2013: Rs. 1.23 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 holding company	1,455	1,377
	Audit fees of subsidiary companies	2,158	2,248
	Half yearly review	585	542
	Out of pocket expenses	338	331
		4,536	4,498

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013	
30.3	Name of donee in which a director or his spouse has an interest:			
	Gulab Devi Chest Hospital (GDCH) Ferozepur Road, Lahore. (Syed Shahid Ali, CEO is also Chairman of GDCH)	5,055	78	
	Liaqat National Hospital (LNH) National Stadium Road, Karachi. (Syed Shahid Ali, CEO is also President of LNH and Syed Shehriyar Ali, Director is also Member of Governing body)	100	-	
	Institute of Islamic Culture (IIC) 158- Shah Jamal, Lahore. (Syed Shahid Ali, CEO is also Chairman of IIC)	500	-	
	Punjab Olympic Association (POA) Temple Road, Lahore. (Syed Shahid Ali, CEO is also President of POA)	160	-	
		5,815	78	
31	Distribution cost			
	Salaries and other benefits	31.1	165,714	140,061
	Repair and maintenance		7,058	4,889
	Freight, octroi and handling		230,090	127,585
	Electricity and gas		316	607
	Export commission		28,744	25,130
	Advertising		438,182	464,908
	Provision for doubtful debt	13.1	9,231	7,398
	Rent, rates and taxes		13,659	10,701
	Product development		2,082	931
	Travelling and conveyance		37,344	36,944
	Entertainment		568	846
	Meeting and conferences		74	148
	Subscription		-	17
	Printing and stationery		1,200	1,798
	Postage and telephone		6,901	5,298
	Depreciation	7.1.2	7,459	8,472
	Legal and professional charges		1,989	7,872
	Bad debts directly written off		-	35,000
	Other expenses		9,091	8,202
			959,702	886,807

31.1 Salaries and other benefits include Rs. 3.29 million (2013: Rs. 1.01 million) and Rs. 9.72 million (2013: Rs. 1.29 million) in respect of defined benefit schemes and defined contribution schemes respectively.

	Note	2014 (Rupees in thousand)	2013
32 Finance cost			
Mark-up on short term borrowings		65,994	99,773
Mark-up on director loan		-	8,838
Mark-up on participation term certificates		283,230	279,805
Bank charges		14,681	15,675
		363,905	404,091
33 Other operating expenses			
Realized exchange loss		9,183	7,794
34 Other income			
<i>Income from financial assets</i>			
Profit on bank deposits		16,632	15,946
Profit on term deposits		375	-
Profit/(loss) on disposal of long term investments		(49)	40
Interest income from associate		-	4,099
Un-realized exchange gain		1,187	1,419
Unrealized gain on short term investments at fair value through profit or loss		106,942	140,103
Realized gain on disposal of short term investments at fair value through profit or loss		53,663	42,331
Dividend from short term investments		9,880	28,521
Dividend from long term investments		2,151	2,102
		190,781	234,561
<i>Income from non-financial assets</i>			
Profit on disposal of property, plant and equipment		22,924	15,161
Rental income from investment property		-	5,590
Profit on disposal of investment property		150	-
Scrap sale		313	13,650
Export rebate		38,472	22,945
Unrealised exchange gain		36,240	26,948
Reversal of provision for doubtful debts	13.1	-	10,179
Others		291	4,884
		98,390	99,357
		289,171	333,918
35 Taxation			
Current			
- For the year		28,978	26,211
- For prior years		157	(10,225)
Deferred			
- For the year	23.2	(27,782)	(16,375)
		1,353	(389)

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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, executives directors, non-executive directors and executives of the group is as follows:

	Chief Executive		Executive Directors		Non-Executive Directors		Executives	
	2014	2013	2014	2013	2014	2013	2014	2013
	------(Rupees in thousand)-----							
Managerial remuneration	16,364	16,364	8,821	5,467	-	-	93,053	43,322
Provident fund	-	-	655	547	-	-	5,638	4,032
Service fund	-	-	655	547	-	-	7,250	4,032
Housing fund	-	-	-	-	-	-	3,758	2,501
Benevolent fund	-	-	-	-	-	-	-	1,557
Bonus	-	-	-	9,321	-	-	36,913	46,793
Entertainment	1,636	-	-	-	-	-	2,396	-
Utilities	-	1,636	655	547	-	-	5,837	2,396
Medical	-	924	655	547	-	-	6,457	4,032
Fees	-	-	-	-	320	260	-	-
	18,000	18,924	11,441	16,976	320	260	161,302	108,665
Number of persons	1	1	2	2	5	5	55	37

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 contributed Rs. 5.84 million and Rs. 5.72 million in gratuity and superannuation fund, respectively for key management personnel of Holding Company.

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

	2014	2013
- As at 30 June	16,400	15,176
- Average number of employees	16,453	15,269

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	2014 (Rupees in thousand)	2013
I Associated undertakings			
Packages Limited	Purchase of goods	128,351	135,272
	Sale of goods	597	152
ZIL Limited	Purchase of goods	54	261
IGI Insurance Limited	Purchase of services	12,860	33,148
Bulleh Shah Packaging (Private Limited)	Purchase of goods	75,976	6,257
Cutting Edge (Private) Limited	Purchase of services	2,574	2,575
Wazir Ali Industries Limited	Rental income	150	150
	Purchase of goods	131	-
II Post employment benefit plans			
Superannuation fund	Contribution	14,580	12,349
Gratuity fund	Contribution	18,239	13,456
Provident fund	Contribution	19,989	19,978
Service fund	Contribution	11,296	8,390
Housing fund	Contribution	5,193	3,939
Benevolent fund	Contribution	2,356	1,839

Notes to the Consolidated Financial Statements

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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 counterparties 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. The Management 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:

	2014	2013
	(Rupees in thousand)	
Long term investment	234,646	214,920
Long term loans	17,066	15,538
Long term deposits	33,756	24,440
Trade debts	613,934	471,524
Short term investments	632,327	540,381
Loans, advances, deposits, prepayments and other receivables	49,391	31,700
Bank balance	618,706	319,207
	2,199,826	1,617,710

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:

	2014	2013
	(Rupees in thousand)	
- Local parties	471,991	401,029
- Foreign parties	141,943	70,495
	613,934	471,524
The aging of trade debts at the reporting date is:		
Less than 30 days	358,887	301,412
Past due 1 - 3 months	184,327	93,786
Past due 3 - 6 months	11,005	5,248
Past due 6 - 9 months	7,383	611
Above one year	52,332	70,467
	613,934	471,524

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 Consolidated Financial Statements

For the year ended 30 June 2014

Banks	2014		Rating Agency	2013	
	Rating			Rating	
	Short term	Long term		Short term	Long term
NIB Bank Limited	A1+	AA-	PACRA	A1+	AA-
Faysal Bank Limited	A1+	AA	PACRA	A1+	AA
United Bank Limited	A-1+	AA+	JCR-VIS	A-1+	AA+
Habib Bank Limited	A-1+	AAA	JCR-VIS	A-1+	AA+
Askari Commercial Bank Limited	A1+	AA	PACRA	A1+	AA
National Bank of Pakistan	A-1+	AAA	JCR-VIS	A-1+	AAA
Bank of Punjab	A1+	AA-	PACRA	A1+	AA-
HSBC Bank Middle East Limited	P-1	A2	Moody's	P-1	A1
KASB Bank Limited	A3	BBB	PACRA	A3	BBB
MCB Bank Limited	A1+	AAA	PACRA	A1+	AA+
Silk Bank Limited	A-2	A-	JCR-VIS	A-2	A-
Burj Bank limited	A-1	A	JCR-VIS	A-1	A
Samba Bank Limited	A-1	AA-	JCR-VIS	A-1	AA-
Bank Alfalah Limited	A1+	AA	PACRA	A1+	AA
Bank Islami Pakistan Limited	A1	A	PACRA	A1	A
Standard Chartered Bank	A1+	AAA	PACRA	A1+	AAA
Soneri Bank Limited	A1+	AA-	PACRA	A1+	AA-
Al-Baraka Bank (Pakistan Limited)	A1	A	PACRA	A1	A

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:

	2014				
	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
(Rupees in thousand)					
<i>Financial liabilities</i>					
Trade and other payables	720,250	719,761	719,761	-	-
Long term deposits	467	466	-	466	-
Short term borrowings	797,357	797,357	797,357	-	-
Redeemable capital	1,075,251	1,186,588	289,503	717,668	179,417
Accrued mark-up	299,513	293,514	293,514	-	-
	2,892,838	2,997,686	2,100,135	718,134	179,417

	2013				
	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
(Rupees in thousand)					
(Restated)					
<i>Financial liabilities</i>					
Trade and other payables	638,875	637,365	637,365	-	-
Long term deposits	2,531	2,531	-	2,531	-
Short term borrowings	576,180	576,180	576,180	-	-
Redeemable capital	1,254,668	1,362,572	286,070	717,668	358,834
Accrued mark-up	293,514	293,514	293,514	-	-
	2,765,768	2,872,162	1,793,129	720,199	358,834

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, GB Pounds and Euros and on foreign currency bank accounts. The Group's exposure to foreign currency risk for US Dollars, GB Pounds and Euros is as follows:

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	2014	2013
	(Rupees in thousand)	
Outstanding letters of credit (US Dollars)	589,206	488,007
Outstanding letters of credit (Euros)	18,511	-
Outstanding letters of credit (GBP)	18,179	20,171

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2014	2013	2014	2013
Rupees per USD	98.58	97.26	98.55	98.60
Rupees per Euro	131.86	123.68	134.46	129.25
Rupees per GBP	159.62	150.35	167.79	151.46

At reporting date, if the Pakistani Rupee has fluctuated by 10% against the US Dollar with all other variables held constant, profit after taxation profit would have been higher/ lower by Rs. 9.231 million (2013: Rs. 7.273 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 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:

	2014	2013	2014	2013
	Effective rate (Percentage)		(Rupees in thousand)	
<i>Financial assets</i>				
<i>Fixed rate instruments</i>				
Bank balances - deposit accounts	7- 8.75	6- 8.25	325,160	4,822
<i>Financial liabilities</i>				
<i>Floating rate instrument</i>				
Short term borrowings	8.70 -11.21	8.70 -13.64	797,357	576,180

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 higher/ lower by Rs 4.31 million (2013: Rs. 6.55 million), 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:

	2014	2013
	(Rupees in thousand)	
Effect on profit and loss	(63,064)	(50,665)
Effect on equity	(5)	(1,250)
Effect on investments	(63,069)	(51,915)

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

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

For the year ended 30 June 2014

	2014			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Assets				
Short term investments at fair value through profit or loss	630,639	-	-	630,639
Long term investments available for sale	52	-	14,952	15,004
	630,691	-	14,952	645,643
	2013			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Assets				
Short term investments at fair value through profit or loss	506,653	-	-	506,653
Long term investments available for sale	12,497	-	14,952	27,449
	519,150	-	14,952	534,102

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

38.8 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:

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

The 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 2014 and at 30 June 2013 were as follows:

	2014	2013
	(Rupees in thousand)	
Total debt	1,872,608	1,830,848
Total equity and debt	4,766,961	3,924,354
Debt-to-equity ratio	39%	47%

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

39 Operating Segments

39.1 Geographical Information

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

	Note	2014 (Rupees in thousand)	2013
Pakistan		5,054,320	4,494,323
United Arab Emirates		439,966	35,966
Saudi Arabia		366,456	243,978
Bangladesh		300,223	186,342
China		248,100	145,473
Jordan		144,252	116,593
Yemen		70,827	52,169
Brazil		65,252	65,403
Egypt		47,001	37,509
Morocco		38,110	-
Angola		32,739	17,069
Taiwan		15,410	18,216
Vietnam		2,188	-
Iran		1,270	5,324
Other countries		236,019	535,503
		7,062,133	5,953,868

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

39.2 Business segments

As at 30 June 2014 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

- 40 As explained in note 1 to these financial statement, subsequent to 30 June 2014, the modaraba management company took the decision to sell non-current asset of its paper and board mill division. Had the decision to sell off these assets been taken as at balance sheet date, the impact on the financial statement would have been as follows:

40.1 Impact on the financial statements

Non current asset of paper and board mill division including land, building and plant and machinery having book value of Rs. 155.897 million as at 30 June 2014, would have been classified as non current assets held for sale in accordance with the requirement of IFRS 5 "Non current asset held for sale and discontinued operation" in the balance sheet of the Modaraba and should have been shown under current assets. As per the agreement to sell, the transaction only constitutes sale of land, building and plant and machinery and not all the business operations of paper and board mill division of the Modaraba, hence other assets and liabilities of paper and board mill division would be retained by the Modaraba and would not become part of disposal group.

	2014 (Rupees in thousand)	2013
Land	25,060	18,000
Building	82,873	83,100
Plant and machinery	59,262	69,521
	167,195	170,621

Profit and loss account would have been splitted into continuing and discontinued operations (paper and board mill being discontinued operation) and discontinued operation would have been shown as single line item in profit and loss account referring to the following details in a separate note to the financial statements:

	2014 (Rupees in thousand)	2013 (Represented)
Profit and loss account - discontinued operations		
Sales	425,823	356,784
Inter-segment	125,216	168,692
Others	551,039	525,476
Less:		
Sales tax	(17,110)	(22,543)
Trade discount	-	(420)
	(17,110)	(22,963)
Net sale	533,929	502,513
Cost of sales	(526,623)	(489,151)
Gross profit	7,306	13,362
Administration expenses	(1,427)	(918)
Distribution expenses	(1,492)	(2,415)
Operating profit	4,387	10,029

	2014 (Rupees in thousand)	2013 (Represented)
Finance cost	(42)	(33)
Other income	561	699
Profit for the year	4,906	10,695

Earning per share would have been disclosed separately for continuing and discontinued operation as follows:

	2014	2013
From continuing operation	4.80	4.67
From discontinued operation	0.10	0.25
Basic earnings per certificate	4.90	4.92

Total comprehensive income would have been presented for attribution to continuing and discontinued operation in the statement of comprehensive income.

	2014 (Rupees in thousand)	2013
Attributable to:		
- Continuing operations	201,182	178,178
- Discontinued operations	4,906	10,695
Total comprehensive income for the year	206,088	188,873

Relevant sub-notes of the profit and loss account would also have been adjusted to reflect the continuing and discontinued operation wherever necessary.

Cash flows for the year related to discontinued operations would have been separately disclose in a note to the financial statement as follows:

	2014 (Rupees in thousand)	2013 (Represented)
Cash flow from discontinued operation		
Cash flow from operating activities	2,671	5,279
Cash flow from investing activities	(224)	(1,127)
Total cash flows	2,447	4,152

	Note	2014 (Rupees in thousand)	2013 (Restated)
41 Cash generated from operations			
Profit before taxation		246,522	225,278
<i>Adjustments for non-cash and other items:</i>			
Finance cost		363,905	404,091
Depreciation on property, plant and equipment	6.1	155,609	136,125
Depreciation on investment property	8	-	729
Provision for gratuity		16,014	18,217
Provision for superannuation		13,781	15,498
Profit on bank deposits		(17,007)	(15,946)
Provision for doubtful debt		9,231	(7,398)
Slow moving raw material stock written off		1,542	1,193
Profit on sale of property, plant and equipment		(22,924)	(15,161)
Profit on sale of investment property		-	(13,650)
(Profit)/ Loss on disposal of long term investments		49	(40)
Loss on disposal of associate		-	-
Provision for WPPF and WWF		15,748	17,675
Unrealized gain on investment at fair value through profit or loss		(106,942)	(140,103)
Cash generated from operations		429,006	401,230
Transfer to profit and loss account on sale of available for sale long term investments		(1,187)	(1,419)
Unrealized exchange gain		(44,485)	(31,147)
Share of profit from associate		(12,031)	(30,623)
Dividend income		(57,703)	(63,189)
Operating profit before working capital changes		617,825	563,319
<i>Decrease / (increase) in current assets:</i>			
Stores and spares		(48,647)	27,245
Stock in trade		(43,170)	18,391
Trade debtors		(150,454)	35,952
Short term investment		14,996	(1,787)
Loans, advances, deposits, prepayments and other receivables		17,911	41,621
		(209,364)	121,422
<i>Increase / (decrease) in current liabilities:</i>			
Trade and other payables		49,717	(142,454)
		458,177	542,287
42 Cash and cash equivalents			
Cash and bank balances	16	662,752	338,025
Short term running finance - secured	18	(132,525)	(38,595)
		530,227	299,430

		2014	2013 (Restated)
43 Earnings per share - basic and diluted			
Profit attributable to equity holders of the parent	<i>Rupees in thousand</i>	234,436	214,853
Weighted average number of shares	<i>Number in thousand</i>	47,813	43,628
Earnings per share	<i>Rupees</i>	4.90	4.92

Conversion of Participation Term Certificates into ordinary shares have anti-dilutive impact on the basic earnings per share.

	Note	Production capacity		Actual production	
		2014	2013	2014	2013
44 Plant capacity and production					
Blades - units in millions		1,475	1,475	1,755	1,573
Packaging solutions - in metric tones		30,000	30,000	24,869	22,278
Bike - in units		12,000	12,000	11,506	11,461
Paper and board - in metric tones	44.1	15,000	15,000	9,255	9,132
Soap - in metric tones	44.2	5,000	5,000	4,030	4,200

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

44.2 Under utilization of capacity in soaps division was due to actual demand being less than installed capacity.

45 Date of authorization for issue

These consolidated financial statements were authorized for issue on September 29, 2014 by the Board of Directors of the Holding Company.

46 General

Corresponding figures have been re-arranged and reclassified wherever necessary, for the purposes of comparison.

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Financial Statements

For the year ended 30 June 2014

Auditors' Report to the Members

We have audited the annexed balance sheet of Treet Corporation Limited ("the Company") as at 30 June 2014 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 except for the change as referred to in note 6 with which we concur;
 - 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 2014 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.



KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Lahore
Date: September 29, 2014

Balance Sheet

as at June 30, 2014

	Note	2014	2013	2012
		(Rupees in thousand)		
			(Restated)	(Restated)
Assets				
Non-current assets				
Property, plant and equipment	7	2,591,422	1,830,971	1,770,319
Investment property		-	-	55,939
Long term investments	8	1,399,032	1,411,477	1,412,891
Long term loans	9	1,242	1,701	3,007
Long term deposits	10	10,564	10,489	3,966
		4,002,260	3,254,638	3,246,122
Current assets				
Stores and spares	11	145,866	121,476	139,277
Stock-in-trade	12	467,011	497,139	403,373
Trade debts	13	427,585	347,524	492,887
Short term investments	14	630,639	506,653	363,470
Loans, advances, deposits, prepayments and other receivables	15	525,491	371,127	321,316
Cash and bank balances	16	447,139	65,983	129,538
		2,643,731	1,909,902	1,849,861
Non-current assets held for sale	17	88,473	88,473	88,473
		2,732,204	1,998,375	1,938,334
Liabilities				
Current liabilities				
Current portion of non-current liabilities	22	179,417	179,417	-
Short term borrowings	18	797,357	576,180	1,690,116
Loan from directors		-	-	350,000
Trade and other payables	19	608,393	515,459	511,536
Accrued mark-up	20	299,513	293,514	49,000
Provision for taxation		21,287	6,578	73,264
		1,905,967	1,571,148	2,673,916
Net current assets / (liabilities)		826,237	427,227	(735,582)
Non-current liabilities				
Long term deposits	21	318	2,381	2,339
Redeemable capital	22	895,834	1,075,251	-
Deferred taxation	23	35,030	53,879	74,393
		931,182	1,131,511	76,732
Contingencies and commitments	24			
		3,897,315	2,550,354	2,433,808
Represented by:				
Authorized capital				
70,000,000 (2013: 70,000,000) ordinary shares of Rs. 10 each		700,000	700,000	700,000
10,000,000 (2013: 10,000,000) preference shares of Rs. 10 each		100,000	100,000	100,000
		800,000	800,000	800,000
Issued, subscribed and paid up capital	25	510,231	418,222	418,222
Reserves	26	858,400	277,036	278,368
Unappropriated profit		1,227,609	1,115,586	992,554
Shareholders' equity		2,596,240	1,810,844	1,689,144
Surplus on revaluation of property, plant and equipment	27	1,301,075	739,510	744,664
		3,897,315	2,550,354	2,433,808

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

Profit and Loss Account

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013 (Restated)
Sales - net	28	4,153,281	3,399,441
Cost of sales	29	2,927,412	2,330,559
Gross profit		1,225,869	1,068,882
Administrative expenses	30	138,112	133,147
Distribution cost	31	835,642	693,738
		973,754	826,885
Operating profit		252,115	241,997
Finance cost	32	363,282	402,664
Other operating expenses	33	4,163	3,198
		367,445	405,862
Other income	34	324,815	396,158
		209,485	232,293
Workers' profit participation fund		10,474	11,576
Workers' welfare fund		3,980	4,399
		14,454	15,975
Profit before taxation		195,031	216,318
Taxation	35	(20,601)	(3,221)
Profit after taxation		215,632	219,539
			(Restated)
Earnings per share - basic and diluted (Rupees)	42	4.51	5.03

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

Statement of Comprehensive Income

For the year ended 30 June 2014

	2014	2013
	(Rupees in thousand)	
		(Restated)
Profit after taxation	215,632	219,539
<i>Other comprehensive income</i>		
<i>Items that are or may be subsequently reclassified to profit or loss:</i>		
<i>Unrealized loss on available-for-sale investments</i>	(1)	(1,309)
<i>Items that will not be reclassified to profit or loss account:</i>		
Re-measurement of employee retirement benefits - net of tax	(25,118)	(18,017)
Total comprehensive income for the year	190,513	200,213

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

Cash Flow Statement

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
Cash generated from operations	40	418,602	471,829
Finance cost paid		(357,283)	(158,150)
Taxes paid		(86,930)	(90,491)
WPPF and WWF paid		(15,608)	(20,007)
Payment to gratuity fund		(16,794)	(18,217)
Payment to superannuation fund		(14,750)	(15,498)
		(491,365)	(302,363)
Net cash (used in)/generated from operating activities		(72,763)	169,466
Cash flows from investing activities			
Fixed capital expenditure		(290,482)	(187,725)
Proceeds from sale of property, plant and equipment		36,179	36,292
Proceeds from sale of investment property		-	68,859
Proceed from sale of available-for-sale long term investments		10,757	123
Long term loans and deposits		384	(5,217)
Interest received		9,635	5,031
Dividend received		55,376	145,444
Net cash (used in)/generated from investing activities		(178,151)	62,807
Cash flows from financing activities			
Long term deposits		(2,063)	42
Loan from directors		-	(350,000)
Proceeds from issue of right shares		501,867	-
Short term borrowings		127,247	(561,265)
(Redemption) / proceeds from participation term certificates		(6,273)	1,254,668
Dividend paid		(82,638)	(86,602)
Net cash generated from financing activities		538,140	256,843
Net increase in cash and cash equivalents		287,226	489,116
Cash and cash equivalents at the beginning of year		27,388	(461,728)
Cash and cash equivalents at the end of year	41	314,614	27,388

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

Statement of Changes in Equity

For the year ended 30 June 2014

	Capital Reserves				Revenue Reserves		Total
	Share Capital	Share Premium	Capital Reserve	Fair value Reserve	General Reserve	Un-appropriated Profit	
	------(Rupees in thousand)-----						
Balance as at 01 July 2012 - as previously reported	418,222	8,320	629	3,019	266,400	1,017,016	1,713,606
Effect of retrospective application of change in accounting policy as referred in note 6	-	-	-	-	-	(24,462)	(24,462)
Balance as at 01 July 2012 - restated	418,222	8,320	629	3,019	266,400	992,554	1,689,144
Incremental depreciation relating to surplus on revaluation of property - net of tax	-	-	-	-	-	5,154	5,154
Realized gain on disposal of available-for-sale investments transfer 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 - restated	-	-	-	(1,309)	-	219,539	218,230
Effect of retrospective application of change accounting policy as referred in note 6	-	-	-	-	-	(18,017)	(18,017)
Balance as at 30 June 2013	418,222	8,320	629	1,687	266,400	1,115,586	1,810,844
Final dividend @ 20 % for the year ended 30 June 2013	-	-	-	-	-	(83,644)	(83,644)
Conversion of PTCs into ordinary shares @ 0.07 share per PTC	29,276	143,869	-	-	-	-	173,145
Right issue of ordinary shares @ 15%	62,733	439,134	-	-	-	-	501,867
Incremental depreciation relating to surplus on revaluation of property - net of tax	-	-	-	-	-	5,154	5,154
Realized gain on disposal of available-for-sale investments transferred to profit and loss	-	-	-	(1,638)	-	-	(1,638)
Total comprehensive income for the year	-	-	-	(1)	-	190,513	190,512
Balance as at 30 June 2014	510,231	591,323	629	48	266,400	1,227,609	2,596,240

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

Notes to the Financial Statements

For the year ended 30 June 2014

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 and presented separately.

The Company has the following long term investments:

	2014	2013
	(Direct holding percentage)	
Name of Company		
Subsidiaries		
- Global Econo Trade (Private) Limited	100	100
- First Treet Manufacturing Modaraba Limited	89.8	89.8
Associates		
- Loads Limited	20.82	20.82

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 Accounting Standards 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 and 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
- Employee retirement benefits	5.1
- Taxation	5.2
- Residual values and useful lives of depreciable assets	5.3
- Provisions	5.19
- Contingent liabilities	5.22

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- 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.
- 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.

Notes to the Financial Statements

For the year ended 30 June 2014

- 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.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition, this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

5 Summary of significant accounting policies

5.1 Employee retirement benefits

Defined contribution plans

The Company has maintained four contributory schemes for the employees, namely provident fund, service fund, housing fund and benevolent fund.

- i) A recognized contributory provident fund scheme namely "Treet Corporation Limited - Group Employees Provident Fund" is in operation covering all permanent employees. Equal monthly contributions are made both by the Company and employees in accordance with the rules of the scheme @ 10% of the basic salary.
- ii) A recognized contributory fund scheme namely "Treet Corporation Limited - Group Employee Service Fund" is in operation which covers all permanent management employees. In accordance with the rules of the scheme, equal monthly contributions are made both by the Company and employees @ 10% of basic salary 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 salary at any time.

Notes to the Financial Statements

For the year ended 30 June 2014

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

Defined benefit plans

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

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

As referred to in note 6, the Company has changed its accounting policy with respect to the recognition of actuarial gains and losses related to its defined benefit plan.

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

5.2 Taxation

Income tax on the profit and 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 recognized 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 recognized for all taxable temporary differences. Deferred tax assets are recognized 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 utilized.

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

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

5.3 Property, plant and equipment

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

Surplus on revaluation of property, plant and equipment is credited to the surplus on revaluation account. To the extent of the incremental depreciation charged on the revalued assets the related surplus on revaluation of property, plant and equipment is transferred directly to unappropriated profit.

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

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.

Depreciation is charged to income, unless it is included in the carrying amount of another asset, on straight-line method whereby cost of an asset is written off over its estimated useful life at the rates given in note 7.1.

Notes to the Financial Statements

For the year ended 30 June 2014

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. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

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

Residual value and the useful life of an asset are reviewed at least at each financial year end.

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and cost of the item can be measured reliably. All other repairs and maintenance costs are charged to 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 properties of the Company comprised 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 Non-current assets held for sale

Non-current asset are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and sale is considered highly probable. They are stated at lower of carrying amount and fair value less costs to sell.

5.7 Investments

Investment in subsidiaries and associates

Investments in subsidiaries and associates are initially recognized 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 recognized 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 recognized in the profit and loss account.

Investments available-for-sale

Investments classified as investments available-for-sale are initially recognized 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 reliably. 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. Unrealized gains and losses arising from changes in fair values are directly recognized in equity in the period in which these arise.

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.

At each balance sheet date, the Company reviews the carrying amounts of the investment to assess whether there is any indication that any investment has suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

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 and 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 and 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

For the year ended 30 June 2014

5.8 Impairment

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 recognized 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 recognized, 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.

5.9 Stores and spares

These are valued at the moving average cost except for items in transit, which are valued at invoice price and related expenses incurred 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.

5.10 Stock-in-trade

Stock of raw materials, packing materials, work-in-process and finished goods is valued at lower of moving average cost 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.

5.11 Trade debts

Trade debts are carried at original invoice amount which is the fair value of consideration receivable 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.

5.12 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.

5.13 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 recognized 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.

5.14 Borrowing cost

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

5.15 Financial instruments

- (i) Financial assets and financial liabilities are recognized 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 recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

5.16 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.

5.17 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.

Notes to the Financial Statements

For the year ended 30 June 2014

5.18 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.19 Provisions

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

5.20 Research and development costs

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

5.21 Dividends

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

5.22 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.

6 Change in accounting policy - Employee retirement benefits

During the year, as a result of revision in IAS 19 "Employee Benefits", the Company has changed its accounting policy with respect to the recognition of actuarial gains and losses related to its defined benefit plans.

Under revised IAS 19, the Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then - net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. All the changes in the present value of defined benefit obligation are now recognized in statement of comprehensive income and the past service costs are recognized in profit and loss account, immediately in the period they occur.

Previously, the Company recognized actuarial gains/losses over the expected average remaining working lives of the current employees, to the extent that unrecognized actuarial gains/losses exceeds 10 percent of present value of defined benefit obligation.

The change in accounting policy has been applied retrospectively and resulted in the following changes:

	Note	2013 (Rupees in thousand)	2012 (Rupees in thousand)
a) Balance sheet			
Increase in employee retirement benefits obligation		65,892	37,258
Increase in advances, deposits, prepayments and other receivables		13,467	6,626
Decrease in deferred tax liability		(10,714)	(6,170)
Decrease in unappropriated profit		(41,710)	(24,462)
			2013 (Rupees in thousand)
b) Statement of comprehensive income			
Decrease in other comprehensive income due to re-measurement of employee retirement benefits - net of tax			18,017
		2014 (Rupees in thousand)	2013 (Rupees in thousand)
7 Property, plant and equipment			
Operating fixed assets	7.1	2,455,710	1,502,475
Capital work-in-progress	7.2	135,712	328,496
		2,591,422	1,830,971

7.1 Property, plant and equipment

	Annual rate of depreciation	Cost as at 01 July 2013	Additions/ (Deletions)	Revaluation surplus during the year	Cost as at 30 June 2014	Accumulated depreciation as at 01 July 2013	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2014	Book value as at 30 June 2014
	%	------(Rupees in thousand)-----							
Owned									
Freehold land	-	779,715	-	448,090	1,227,805	-	-	-	1,227,805
Buildings on free hold land	5	444,190	23,694	147,857	615,741	140,558	22,622	163,180	452,561
Plant & machinery	10	832,802	402,441 (2,976)	-	1,232,267	533,533	53,595 (2,976)	584,152	648,115
Furniture and equipment	10 - 25	45,677	5,553 (834)	-	50,396	33,089	3,432 (489)	36,032	14,364
Vehicles	20	177,009	51,578 (44,461)	-	184,126	69,738	33,074 (31,551)	71,261	112,865
2014		2,279,393	483,266 (48,271)	595,947 -	3,310,335	776,918	112,723 (35,016)	854,625	2,455,710

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For the year ended 30 June 2014

	Annual rate of depreciation	Cost as at 01 July 2012	Additions/ (Deletions)	Revaluation surplus during the year	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)-----							
Owned									
Freehold land	-	779,715	-	-	779,715	-	-	-	779,715
Buildings on free hold land	5	443,293	13,635 (12,738)	-	444,190	121,917	22,447 (3,806)	140,558	303,632
Plant & machinery	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
2013		2,178,883	144,653 (44,143)	-	2,279,393	693,988	105,942 (23,012)	776,918	1,502,475

7.1.1 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). Subsequently, freehold land and buildings were revalued on 30 June 2009 by M/s BFA (Private) Limited (Member of Insurance Surveyors Association of Pakistan) resulting in net surplus of Rs. 642.57 million. As at year end, land and buildings have been revalued by M/s Zafar Iqbal & Co (PBA approved valuers, inspectors and engineers) resulting in surplus of Rs. 595.95 million. Land was revalued on the basis of current market value and buildings have been revalued on the basis of replacement value.

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

	Note	2014 (Rupees in thousand)	2013
Land		111,933	111,933
Buildings		202,283	193,281
		314,216	305,214

7.1.3 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) -----							
Vehicles							
Honda Civic	1,795	1,730	65	590	525	Company scheme	Mr. Imran Aziz
Suzuki Alto	474	403	71	462	391	Company scheme	Mr. Muhammad Arif
Suzuki Alto	350	280	70	350	280	Company scheme	Mr. Nadeem Mughal
Suzuki Cultus	845	593	252	277	25	Company scheme	Mr. Ayaz Ahmad
Honda City	1,269	975	294	1,007	713	Company scheme	Mr. Ijaz-ul-Haq
Suzuki Alto	545	354	191	223	32	Company scheme	Mr. Wasif Rasheed
Suzuki Mehran	300	222	78	300	222	Company scheme	Mr. Mudassar Naseer
Suzuki Alto	600	455	145	329	184	Company scheme	Mr. Rabie Khan
Honda City	1,574	702	872	1,322	450	Company scheme	Mr. Nisar Ahmad
Suzuki Alto	560	256	304	323	19	Company scheme	Mr. Muhammad Azeem
Suzuki Cultus	650	279	371	650	279	Company scheme	Mr. Sheraz Mujeeb
Honda City	1,608	270	1,338	1,438	100	Company scheme	Mr. Yunus Khan
Corolla GLI	2,080	454	1,627	1,260	(367)	Company scheme	Mr. Tariq Aziz
Suzuki Cultus	650	87	563	650	87	Company scheme	Mr. Jamil Malik
Suzuki Cultus	650	183	466	650	184	Company scheme	Mr. Muhammad Ali
Honda motor cycle	97	11	86	97	11	Company scheme	Mr. Azeem Kirmani
Treet motor cycle	55	3	52	55	3	Company scheme	Mr. Muhammad Arshad
Treet motor cycle	55	3	52	55	3	Company scheme	Mr. Zulfeqar Ahmed
Treet motor cycle	55	2	53	55	2	Company scheme	Mr. Asif Javaid
	14,212	7,262	6,950	10,093	3,143		
Other assets with book value less than Rs. 50,000	34,059	27,754	6,305	26,086	19,781		
2014	48,271	35,016	13,255	36,179	22,924		
2013	44,143	23,012	21,131	36,292	15,161		

Employees

7.1.4 Depreciation charge for the year has been allocated as follows:

	Note	2014 (Rupees in thousand)	2013
Cost of goods sold	29	78,426	72,228
Administrative expenses	30	26,838	25,242
Distribution cost	31	7,459	8,472
		112,723	105,942

7.1.5 No impairment relating to property, plant and equipment was identified during the period.

7.2 Capital work-in-progress

Civil works		3,490	10,109
Plant and machinery		94,265	318,387
Advances for capital expenditure		37,957	-
		135,712	328,496

8 Long term investments

At cost			
– Subsidiary companies	8.1	1,221,499	1,221,499
– Associate	8.2	162,529	162,529
Available-for-sale investments	8.3	15,004	27,449
		1,399,032	1,411,477

Notes to the Financial Statements

For the year ended 30 June 2014

		2014	2013
		(Rupees in thousand)	
8.1	Subsidiary companies - at cost		
	Global Econo Trade (Private) Limited	50,000	50,000
	First Treet Manufacturing Modaraba	1,171,499	1,171,499
		1,221,499	1,221,499
8.1.1	This represents 4,999,996 (2013: 4,999,996) ordinary shares of Rs. 10 each in Global Econo Trade (Private) Limited (GET). The Company holds 99.99% (2013: 99.99%) equity shares in GET.		
8.1.2	This represents 117,149,871 (2013: 117,149,871) ordinary certificates of Rs. 10 each in First Treet Manufacturing Modaraba (FTMM). The Company holds 89.8% (2013: 89.8%) issued certificates in FTMM.		
8.2	This represents investment in Loads Limited, an associated company. The Company holds 1,249,260 (2013: 1,249,260) ordinary shares of Rs. 10 each representing 20.82% (2013: 20.82%) interest in equity shares of Loads Limited. These ordinary shares have a cost of Rs. 162.53 million (2013: Rs. 162.53 million).		
8.2.1	Loads Limited is an un-quoted Public Limited Company having break-up value per share as per latest available audited financial statements of 30 June 2013 amounting to Rs. 179.07 (2013: Rs. 165.04) per share.		
8.3	Available-for-sale investments		
	Quoted investments	52	12,497
	Un-quoted investments	14,952	14,952
		15,004	27,449

		Number of ordinary shares of Rs. 10 each		Cost		Market Value		Percentage of holding	
		2014	2013	2014	2013	2014	2013	2014	2013
		Number	Number	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)	%	%
8.3.1	Quoted investments								
	Associated undertakings								
	ZIL Limited	500	500	3	3	52	53	0.009	0.009
	Add: Unrealized gain			49	50				
				52	53				
	IGI Investment Bank Limited	-	6,549,549	-	10,807	-	12,444	-	3.09
	Add: Unrealized gain			-	1,637				
				-	12,444				
				52	12,497	52	12,497		

	Note	Latest available audited financial statements for the year ended	Number of ordinary shares of Rs 10 each		Cost		Percentage of holding		
			2014	2013	2014	2013	2014	2013	
			Number	Number	(Rupees in thousand)	(Rupees in thousand)	%	%	
8.3.2	Un-quoted investments								
	Techlogix International Limited	8.3.2.1	31 December 2012	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	8.3.2.1	31 December 2013	956,172	956,172	10,150	10,150	2.26	2.26
	Visionet Systems Incorporation	8.3.2.1	31 December 2013	36,891	36,891	3,247	3,247	2.27	2.27
						14,952	14,952		

8.3.2.1 The break-up value per share as per latest available audited financial statements for Techlogix International Limited, Systems Limited and Visionet Systems Incorporation is Rs. 3.37 (2013: Rs. 4.27), Rs. 29.89 (2013: Rs. 22.26) and Rs. 155.05 (2013: Rs. 124.4) per share respectively.

8.3.2.2 The ordinary shares of Loads Limited and Systems Limited have par value of Rs. 10 each, whereas, the ordinary shares of Techlogix International Limited and Visionet Systems Incorporation have par value of USD 0.00015 and USD 1, respectively.

	Note	2014 (Rupees in thousand)	2013
9 Long term loans			
Loan to housing fund - unsecured		-	1,848
Loans to employees - secured, considered good	9.1	8,492	8,895
Less : current portion			
Loan to housing fund - unsecured	15	-	(1,848)
Loan to employees - secured, considered good	15	(7,250)	(7,194)
		(7,250)	(9,042)
		1,242	1,701

9.1 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. 5.49 million (2013: Rs. 6.21 million) receivable from the executives of the Company. No loan has been given to directors and chief executive of the Company.

9.2 Reconciliation of the carrying amount of loans to executives:

Balance as at 01 July		6,209	2,276
Disbursements during the year		9,097	6,916
Repayments during the year		(9,820)	(2,983)
Balance as at 30 June		5,486	6,209

9.3 The maximum amount due from the executives at the end of any month during the year was Rs. 5.49 million (2013: Rs. 6.21 million).

10 Long term deposits

Long term deposits	10.1	10,564	10,489
		10,564	10,489

10.1 This represents deposits against utilities.

11 Stores and spares

Stores		26,011	12,720
Spares	11.1	119,855	108,756
		145,866	121,476

11.1 It includes spares in transit amounting to Rs. 2.18 million (2013: Rs. 5.34 million).

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

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For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
12 Stock-in-trade			
Raw and packing material	12.1	345,641	363,580
Work-in-process		51,711	47,273
Finished goods	12.2	71,201	87,479
		468,553	498,332
Raw material stock not useable written off	29	(1,542)	(1,193)
		467,011	497,139

12.1 It includes raw material in transit amounting to Rs. 54.55 million (2013: Rs. 40.95 million).

12.2 The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounts to Rs. 11.20 million (2013: Nil).

13 Trade debts

Foreign debtors			
- Foreign- secured, considered good		57,339	12,095
- Foreign-unsecured - considered good		84,604	58,400
		141,943	70,495
Local debtors - unsecured			
- Considered good			
Global Econo Trade (Private) Limited - subsidiary company	13.1 & 13.3	272,254	272,254
Others		13,388	4,775
		285,642	277,029
Considered doubtful	13.2	-	465
		427,585	347,989
Less: Provision for doubtful debts		-	465
		427,585	347,524

13.1 The maximum aggregate amount due from subsidiary company at the end of any month during the year was Rs. 272.25 million (2013: Rs. 272.25 million).

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

Balance as at 01 July		465	465
Written off during the year		(465)	-
Balance as at 30 June		-	465

13.3 This balance is outstanding for more than 360 days.

	Note	2014 (Rupees in thousand)	2013
14 Short term investments			
Investment at fair value through profit or loss			
Listed equity securities	14.1	630,639	499,429
Mutual funds	14.2	-	2,037
Future market	14.3	-	5,187
		630,639	506,653

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

	Share / certificates		Market value	
	2014 Number	2013 Number	2014 (Rupees in thousand)	2013
Sector /Companies				
Banks				
Bank Islami Pakistan Limited	-	400,000	-	2,606
Investment Capital Investment Bank Limited	-	200,000	-	312
Silk Bank Limited	15,492,000	149,500	31,915	338
Standard Chartered Bank Pakistan Limited	226,500	-	5,492	-
Modaraba				
First Al Noor Modaraba	-	366,500	-	1,836
Sugar and allied industry				
Al-Noor Sugar Mills Limited	866,500	927,000	31,766	43,569
The Thal Industries Corporation Limited	315	25,315	15	1,005
Cable and electrical goods				
Siemens Pakistan Engineering Company Limited	-	55,400	-	36,076

Notes to the Financial Statements

For the year ended 30 June 2014

	Share / certificates		Market value	
	2014 Number	2013 Number	2014 (Rupees in thousand)	2013
Textile				
Indus Dyeing and Manufacturing Company Limited	468,310	450,010	337,642	265,281
Bannu Woolen Mills Limited	1,658,625	1,182,500	124,563	90,934
Sunrays Textiles Mills Limited	20,800	1,000	5,070	194
Island Textile Mills Limited	-	1,300	-	775
Shahtaj Textile Limited	694,800	309,000	75,344	11,433
Maqbool Textiles Mills Limited	355,000	-	7,721	-
Premium Textile Mills Limited	1,800	-	219	-
Hira Textiles Mills Limited	327,000	-	3,263	-
Paint				
Berger Paints Pakistan Limited	-	52,000	-	1,201
Akzo Nobel Pakistan Limited	-	549,800	-	33,059
Miscellaneous				
Transmission Engineering Industries Limited 14.1.1	133,000	-	193	-
Baluchistan Wheels Limited	113,000	208,000	4,803	10,192
National Silk & Rayon Mills Limited	40,000	-	2,347	-
Bawany Air Products Limited	-	11,500	-	169
Emco Industries Limited	-	37,500	-	113
Leiner Pak Gelatine Limited	19,000	21,000	286	336
			630,639	499,429

14.1.1 Trading in the equity stocks of the Transmission Engineering Industries Limited was suspended as on 30 June 2014 by Karachi Stock Exchange.

14.2 Details of investment in mutual funds are stated below:

	Units		Market value	
	2014 Number	2013 Number	2014 (Rupees in thousand)	2013
JS Cash Fund	-	19,385	-	2,037
			-	2,037

14.3 Details of investment in future market is stated below:

	Ounces		Market value	
	2014 Number	2013 Number	2014 (Rupees in thousand)	2013
Investment in commodities (gold -spot future)	-	42	-	5,187
			-	5,187

	Note	2014	2013
		(Rupees in thousand)	
15 Loans, advances, deposits, prepayments and other receivables			(Restated)
Current portion of loan to housing fund		-	1,848
Current portion of loan to employees - secured, considered good	9	7,250	7,194
		7,250	9,042
Advances to employees - secured, considered good	15.1	7,141	24,278
Advances - unsecured, considered good			
Suppliers		45,001	96,708
Income tax		235,527	155,176
		280,528	251,884
Margin deposits against letters of credits		16,989	5,461
Prepayments		5,309	14,088
Insurance claim receivable from IGI Insurance Limited - an associated undertaking		745	655
Advances to associated undertakings:			
Wazir Ali Industries Limited		13	-
Loads Limited		142	142
IGI Insurance Limited		15,000	-
	15.2	15,155	142
Workers' profit participation fund	15.3	9,531	8,796

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013 (Restated)
Receivable from statutory authorities			
Export rebate		46,010	32,931
Collector of customs		2,226	546
Sales tax		40,798	200
		89,034	33,677
Receivable from broker against sale of investments		2,704	248
Other receivable			
- Related parties			
Global Econo Trade (Private) Limited		46,539	150
First Treet Manufacturing Modaraba		12,000	7,540
Employees Benevolent Fund		1,295	-
Superannuation Fund		1,511	-
TCL Labor-Hire Company (Private) Limited		15,115	13,467
Employees housing fund		7,636	-
	15.4	84,096	21,157
- Other		7,009	1,699
		525,491	371,127

15.1 These are interest free advances to employees in respect of salary, medical and travelling expenses and are secured against employees retirement benefits. These include an aggregate amount of Rs. 1.76 million (2013: Rs. 1.09 million) receivable from executives of the Company. These also include an amount of Rs. 3.56 million (2013: Rs. 3.68 million) given to CEO for travelling for business purpose.

15.2 Advances given to these companies for purchase of goods or services under normal business trade as per the agreed terms.

15.3 Workers' profit participation fund

Balance receivable as at 01 July	(8,796)	(5,372)
Add: Charge for the year	10,474	11,576
	1,678	6,204
Less: Payments/adjustments during the year	(11,209)	(15,000)
Balance receivable as at 30 June	(9,531)	(8,796)

15.4 These represent amounts receivable from related parties for reimbursement of expenses and sharing of common expenses under normal business trade as per the agreed terms.

	Note	2014 (Rupees in thousand)	2013
16 Cash and bank balances			
Cash in hand		25,683	17,347
Cash at bank - local currency			
Current accounts		96,296	43,814
Saving accounts	16.1	325,160	4,822
		421,456	48,636
		447,139	65,983

16.1 These carry mark-up at the rates ranging from 7% to 8.75% per annum (2013: 6% to 8.25% per annum).

17 Non-current assets held for sale

These represent two pieces of land measuring 26 kanals and 9 marlas, and 138 kanals and 7 marlas located at 34 km Ferozepur Road, Lahore and Mauza Kacha, Kasur respectively.

The Company entered into sale agreements for sale of these pieces of land in 2011 and the sale agreement was expected to be completed after the receipt of full amount of sale consideration and transfer of title in the name of the buyer.

For the land measuring 26 kanals and 9 marlas, the buyer made full payment in 2012, however, the title has not been transferred to the buyer as some legal formalities are pending. The possession of the land has been transferred to the buyer as per the terms of the sale agreement. This piece of land has been classified as held for sale on the expectation that the title will be transferred to buyer upon completion of legal formalities in due course.

For the land measuring 138 kanals and 7 marlas, the buyer has made certain payments against the sale consideration amounting to Rs. 104 million (2013: Rs. 85 million). The buyer has requested for extension in the payment period which has been granted by the Company. The Company is committed to sell off this land to the existing buyer and expects to complete the transaction within next 12 months.

18 Short term borrowings

Short term running finance - secured	18.1	132,525	38,595
Export refinance - secured	18.2	664,832	537,585
		797,357	576,180

18.1 The Company has arranged facilities for short-term running finance from various banks under mark-up arrangement to the extent of Rs. 3,550 million (2013: Rs. 2,900 million). These carry mark-up at the rates ranging from 9.39% to 11.21% per annum (2013: 9.33% to 13.64% per annum). Running finance amounting to Rs. 2,225 million (2013: 1,575 million) can be interchangeably utilized as export running finance. These carry mark-up at the rate of 8.7% to 9% per annum (2013: 8.7% to 11% per annum).

18.2 All short term borrowings of the Company are secured by way of joint first pari passu hypothecation charge of Rs. 4,736 million (2013: 3,468 million) on the entire present and future current assets of the Company.

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013 (Restated)
19 Trade and other payables			
<i>Trade creditors:</i>			
Related parties	19.1	16,792	13,214
Others		19,282	26,900
		36,074	40,114
<i>Other creditors:</i>			
Related parties	19.2	1,501	1,502
Others		47,735	41,274
		49,236	42,776
Accrued liabilities		202,814	138,719
Advances from customers		25,667	42,351
Advance against non-current assets held for sale	17	110,593	91,593
Workers' welfare fund	19.3	3,980	4,399
Employees deposits		33,923	37,080
Unclaimed dividend		4,108	3,102
Withholding sales tax payable		2,233	4,851
Payable to broker		-	4,386
Other payables		6,143	3,691
<i>Payable to employee retirement benefit funds:</i>			
- Payable to gratuity fund	19.4.1	72,079	49,647
- Payable to superannuation fund	19.4.1	56,560	47,788
- Payable to service fund		2,725	1,932
- Payable to provident fund	19.5	2,258	3,030
		133,622	102,397
		608,393	515,459
19.1 Related parties			
<i>Associated Undertakings</i>			
Packages Limited		3,455	31
Bulleh Shah Packaging (Private) Limited		362	683
<i>Subsidiary company</i>			
TCL Labor-Hire Company (Private) Limited		12,975	12,500
		16,792	13,214

	Note	2014 (Rupees in thousand)	2013 (Restated)
19.2 Related parties			
<i>Associated Undertakings</i>			
ZIL Limited		25	26
IGI Insurance Limited		13	13
IGI Investment Bank Limited		1,463	1,463
		1,501	1,502
19.3 Workers' welfare fund			
Balance as at 01 July		4,399	5,007
Add: Charge for the year		3,980	4,399
		8,379	9,406
Less: Payments during the year		(4,399)	(5,007)
Balance as at 30 June		3,980	4,399

19.4 Employee retirement benefits

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

Gratuity fund		72,079	49,647
Superannuation fund		56,560	47,788
	19.4.1	128,639	97,435

19.4.1 Present value of funded obligations

	Gratuity		Superannuation	
	2014	2013	2014	2013
	------(Rupees in thousand)-----			
		(Restated)		(Restated)
Amounts recognized in balance sheet are as follows:				
Present value of defined benefit obligation	188,515	151,409	172,551	143,977
Fair value of plan assets	(116,436)	(101,762)	(115,991)	(96,189)
Net retirement benefit obligation	72,079	49,647	56,560	47,788

Notes to the Financial Statements

For the year ended 30 June 2014

	Gratuity		Superannuation	
	2014	2013	2014	2013
------(Rupees in thousand)-----				
	(Restated)		(Restated)	
19.4.2 Movement in net obligation				
Net liability as at 01 July	49,647	37,549	47,788	31,253
Charge to profit and loss account				
Treet Corporation Limited	14,822	13,370	13,580	11,516
TCL Labor-Hire Company (Private) limited	1,192	4,199	201	3,617
	16,014	17,569	13,781	15,133
Re-measurements chargeable in other comprehensive income				
Treet Corporation Limited	22,051	9,700	9,254	12,863
TCL Labor-Hire Company (Private) limited	1,161	3,046	487	4,037
	23,212	12,746	9,741	16,900
Contribution made by the Company	(16,794)	(18,217)	(14,750)	(15,498)
Net liability as at 30 June	72,079	49,647	56,560	47,788
19.4.3 Movement in the liability for funded defined benefit obligations				
Liability for defined benefit obligations as at 01 July	151,409	123,212	143,977	117,516
Benefits paid by the plan	(14,170)	(14,854)	(13,301)	(16,598)
Current service costs	11,683	12,687	9,538	11,071
Interest cost	15,154	16,018	14,419	15,277
Re-measurements on obligation:				
Actuarial losses on present value				
- Changes in demographic assumptions	-	-	-	-
- Changes in financial assumptions	-	-	-	-
- Experience adjustments	24,439	14,346	17,918	16,711
	24,439	14,346	17,918	16,711
Liability for defined benefit obligations as at 30 June	188,515	151,409	172,551	143,977
19.4.4 Movement in fair value of plan assets				
Fair value of plan assets as at 01 July	101,762	85,663	96,189	86,264
Contributions paid into the plan	16,794	18,217	14,750	15,498
Benefits paid by the plan	(14,170)	(14,854)	(13,301)	(16,598)
Interest income on plan assets	10,823	11,136	10,176	11,214
Return on plan assets excluding interest income	1,227	1,600	8,177	(189)
Fair value of plan assets as at 30 June	116,436	101,762	115,991	96,189

	Note	Gratuity		Superannuation	
		2014	2013	2014	2013
------(Rupees in thousand)-----					
19.4.5 Plan assets consist of the following:					
Bond		75,949	71,772	92,080	72,723
Equity		41,008	13,037	20,998	12,792
Cash and other deposits		38	12,715	1,402	7,152
Others		(559)	4,238	1,511	3,522
	7.5.1	116,436	101,762	115,991	96,189
19.4.6 Plan assets					
Plan assets comprise:					
Term finance certificates		249	20,272	180	18,723
Listed securities		35,142	11,106	20,998	12,792
Deposits with banks		38	12,715	1,402	7,152
Investment in mutual funds		5,866	1,931	-	-
Government securities		75,700	51,500	91,900	54,000
Advance/ payable to other fund		(2,398)	1,443	-	-
Others		1,839	2,795	1,511	3,522
		116,436	101,762	115,991	96,189
<p>Before making any investment decision, an Asset-Liability matching study is performed by the Board of Trustees of the funds to evaluate the merits of strategic investments. Risk analysis of each category is done to analyze the impacts of the interest rate risk, currency risk and longevity risk.</p>					
------(Rupees in thousand)-----					
			(Restated)		(Restated)
19.4.7 Profit and loss account includes the following in respect of retirement benefits:					
Interest cost		15,154	16,018	14,419	15,277
Current service cost		11,683	12,687	9,538	11,071
Interest income on plan assets		(10,823)	(11,136)	(10,176)	(11,214)
		16,014	17,569	13,781	15,134
19.4.8 Actual return on plan assets		12,050	12,736	18,353	11,025

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For the year ended 30 June 2014

	Gratuity		Superannuation	
	2014	2013	2014	2013
------(Rupees in thousand)-----				
		(Restated)	(Restated)	
19.4.9 Actuarial gains and (losses) recognized directly in other comprehensive income				
Cumulative amount at 01 July	(35,101)	(20,755)	(33,214)	(16,503)
Losses recognized during the year	(24,439)	(14,346)	(17,920)	(16,711)
Cumulative amount at 30 June	(59,540)	(35,101)	(51,134)	(33,214)

19.4.10 Historical Information for Gratuity fund

	2014	2013	2012	2011	2010
------(Rupees in thousand)-----					
Present value of defined benefit obligation	188,515	151,409	123,212	107,825	91,088
Fair value of the plan assets	(116,436)	(101,762)	(85,663)	(73,910)	(65,999)
Deficit in the plan	72,079	49,647	37,549	33,915	25,089
Experience adjustments arising on plan liabilities	24,439	14,346	531	7,368	78
Experience adjustments arising on plan assets	1,227	1,600	(100)	(283)	(1,521)

The Company expects to pay Rs. 19.54 million in contributions to gratuity fund in 2015.

19.4.11 Historical Information for Superannuation fund

Present value of defined benefit obligation	172,551	143,977	117,516	103,779	92,635
Fair value of plan assets	(115,991)	(96,189)	(86,264)	(74,632)	(67,315)
Deficit in the plan	56,560	47,788	31,252	29,147	25,320

	2014	2013	2012	2011	2010
	------(Rupees in thousand)-----				
Experience adjustments arising on plan liabilities	17,918	16,711	686	3,172	(897)
Experience adjustments arising on plan assets	8,177	(189)	523	(342)	(163)

The Company expects to pay Rs. 25.03 million in contributions to superannuation fund in 2015.

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

	2014		2013	
	Gratuity fund per annum	Superannuation fund per annum	Gratuity fund per annum	Superannuation per annum
Discount rate used for profit and loss charge	11%	11%	13%	13%
Discount rate used for year-end obligation	13%	13%	11%	11%
Expected rates of salary increase	12%	12%	10%	10%
Expected rates of return on plan assets	11%	11%	11%	11%

Mortality rate

The rates assumed were based on the SLIC 2001 - 2005 with 1 year setback.

19.4.13 Actuarial assumptions sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the impact on the present value of the defined benefit obligation as at 30 June 2014 would have been as follows:

	Change	Gratuity		Superannuation	
		Impact on present value of defined benefit obligation as at 30 June			
		Increase	Decrease	Increase	Decrease
------(Rupees in thousand)-----					
Discount rate	100 bps	(174,153)	205,042	(158,773)	188,451
Future salary increase	100 bps	205,042	(173,912)	188,451	(158,543)

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

Notes to the Financial Statements

For the year ended 30 June 2014

19.4.14 Weighted average duration of the defined benefit obligation is 8 years and 9 years for gratuity and pension plans, respectively.

19.5 The Company has set up provident fund for its permanent employees. The total charge against provident fund for the year was Rs. 16.43 million (2013: Rs. 15.71 million). The net assets based on unaudited financial statements of provident fund for the year ended 30 June 2014 amount to Rs. 324.21 million (2013: Rs. 273.85 million). The fair value of investments of provident fund was Rs. 259.19 million (2013: Rs. 245.23 million) and the cost of the investment was Rs. 237.27 million (2013: Rs. 241.68 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.

	2014 (Rupees in thousand)	2013	2014 %	2013 %
19.5.1 The break-up of fair value of investments is:				
Treasury bills	31,100	-	12%	0%
National saving bonds/ Special saving bonds	34,300	34,300	13%	14%
Pakistan investment bonds	68,500	68,500	27%	28%
National investment trust units	6,041	4,237	2%	2%
Mutual funds	5,140	5,651	2%	2%
Listed securities	39,693	41,576	15%	17%
Term finance certificates	3,375	19,741	1%	8%
Term deposit certificates	-	25,415	0%	10%
Participation term certificates	70,795	45,050	28%	19%
Account with broker for investment	249	762	0%	0%
	259,193	245,232	100%	100%

	2014 (Rupees in thousand)	2013
20 Accrued mark-up		
Participation term certificates	283,230	279,805
Short term borrowings	16,283	13,709
	299,513	293,514

21 Long term deposits

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

		2014	2013
		(Rupees in thousand)	
22	Redeemable capital		
	Participation term certificates	1,075,251	1,254,668
	Less: Current portion shown under current liabilities	(179,417)	(179,417)
		895,834	1,075,251

In 2013, the Company issued 41,822,250 participation term certificates (PTCs) of Rs. 30 each to existing shareholders in the ratio of 1 PTC for every 1 ordinary share held. The PTCs are listed on all the stock exchanges of Pakistan.

The PTCs are mandatorily convertible into ordinary shares through share conversion @ 0.07 share per PTC per annum from year 2013 to year 2018 and 0.08 share per PTC in the year 2019. The principal amount of PTCs will be reduced through redemption (in cash and through mandatory conversion). The PTCs shall be redeemed through cash @ Rs. 4.14 per annum from year 2013 to year 2018 and Rs. 4.4 for the year 2019.

The PTC holder is entitled to a minimum profit (Category A profit) at Rs. 4.14 per annum for each PTC, along with a contingent profit (Category B profit) based on the consolidated profits before tax, WWF, WPPF and finance cost relating to PTCs based on pay-off matrix. The pay-off matrix sets out various ranges for contingent profit pay out percentages.

The following table shows the redemption of PTC for the year 2014.

Principal redemption in cash (----- Rupees in thousand -----)	Principal redemption in shares	Principal value redemption	Increase in ordinary share capital Shares	Increase in ordinary share capital (----- Rupees in thousand -----)	Share premium of conversion	Category "A" profit payment in cash	Category "B" profit payment in cash	Year
6,273	173,144	179,417	2,927,557	29,276	143,868	173,144	110,085	2014
6,273	173,144	179,417	2,927,557	29,276	143,868	173,144	106,661	2013

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

Notes to the Financial Statements

For the year ended 30 June 2014

Securities

The PTCs are secured by the following:

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 million over the present and future movable fixed assets of the 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.

	2014	2013
	(Rupees in thousand)	
23 Deferred taxation		
Deferred tax liability arising in respect of the following items:		
- Accelerated tax depreciation	95,028	75,378
- Surplus on revaluation of property, plant and equipment recognized during the year	29,227	-
- Capital gains on short term investments	13,378	-
	137,633	75,378
Deferred tax asset arising in respect of the following items:		
- Unabsorbed tax depreciation	(64,557)	(8,067)
- Unutilized tax credits	(21,344)	(2,555)
- Employee retirement benefits	(16,702)	(10,714)
- Provision for doubtful debts	-	(163)
	(102,603)	(21,499)
	35,030	53,879

23.1 Deferred tax asset on above items has been recognized on the expectation that future taxable profits will be available to the Company in the foreseeable future for realization of such asset.

23.2 Movement in deferred tax liability is as follows:

Balance as at 01 July	53,879	74,393
Net off against the surplus on revaluation of property, plant and equipment	29,227	-
Net off against re-measurement of employee retirement benefits recognized in other comprehensive income	(6,188)	(4,544)
Charged to profit and loss account	(41,888)	(15,970)
Balance as at 30 June	35,030	53,879

24 Contingencies and commitments

24.1 Contingencies

- A tax demand amounting to Rs. 14.8 million had been created by Additional Commissioner Inland Revenue under section 12(9A) of the repealed Income Tax Ordinance, 1979 for assessment year 2000-2001. The tax demand has been adjusted against income tax refunds of the Company for the tax year 2006. The Company has filed an appeal before Appellate Tribunal and is expecting a favorable outcome.
- A tax demand amounting to Rs. 16.05 million had been raised by the tax department against the Company on the issue of proration of profits between local and export sales for the tax year 2003 and 2006. In 2010, Appellate Tribunal dismissed the Company's appeal, however, the Company has filed an application under section 21 of General Clauses Act, 1997 to rescind or amend the order. Further, without conceding the legitimate position of this issue as stated above, a rectification application on account of incorrect computation has also been filed resulting in rectification amounting to Rs. 10.29 million. The Company is expecting a favorable outcome as this issue was decided in the favor of the Company in past.
- For the assessment year 1999 to 2000, the taxation officer charged additional tax amounting to Rs. 3.27 million on the grounds that the Company has been failed to deposit the due tax, on the basis of Company's return. The Company, on the grounds that the amount due has already been deposited, filed a rectification application on the basis that the mistake is apparent from the record.
- In tax year 2004, the Additional Commissioner Inland Revenue passed an order under section 122(5A) of the Income Tax Ordinance, 2001 on the issue of proration of profits between local and export sales and created a tax demand of Rs. 6.56 million. The Company filed an appeal before Commissioner Appeals who decided the matter against the Company. The Company has filed an appeal before Appellate Tribunal which is pending adjudication. The Company expects a favorable outcome from this appeal.
- A sales tax demand amounting to Rs. 1.56 million has been created by Deputy Commissioner Inland Revenue for alleged default of compliance of section 8(1)(CA) of the Sales Tax Act, 1990. The Company filed an appeal with Commissioner Appeals against this order and obtained relief of Rs. 0.42 million. The Company has also filed an appeal before Appellate Tribunal and expects a favorable outcome on the grounds that Honorable Lahore High Court has declared the provision of section 8(1)(CA) ultra-vires.

24.2 Commitments

- Outstanding letters of credit as at 30 June 2014 amounted to Rs. 625.895 million (2013: Rs. 509.910 million).
- Post dated cheques amounting to Rs. 33.01 million (Rs. 98.86 million) has been issued in the favor of Collector of Customs.

Notes to the Financial Statements

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25 Issued, subscribed and paid-up capital

2014 (Number of shares)	2013	Note	2014 (Rupees in thousand)	2013
8,867,412	2,594,075	Ordinary shares of Rs. 10 each fully paid-up in cash	88,674	25,941
4,022,557	1,095,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	40,226	10,950
38,133,175	38,133,175	Ordinary shares of Rs. 10 each fully issued as bonus shares	381,331	381,331
51,023,144	41,822,250		510,231	418,222

25.1 IGI Insurance Limited and Loads Limited (associated companies), hold 5,442,060 and 3,268,820 (2013: 5,442,060 and 2,731,000) fully paid in cash ordinary shares of the Company of Rs. 10 each, respectively.

25.2 During the year company issued 6,273,337 shares by way of right issue @ 15 shares per 100 shares held at a premium of Rs. 70 per share amounting to Rs. 439.13 million.

25.3 The Company also issued 2,927,557 shares, against conversion of Participation Term Certificate (PTCs) into ordinary shares. The issue was made in lieu of mandatory conversion of PTCs @ 0.07 shares per PTCs at a pre agreed price of Rs 59.14 per share resulting in premium of Rs. 143.87 million.

26 Reserves

Capital reserves	26.1	592,000	10,636
General reserves		266,400	266,400
		858,400	277,036
26.1 Capital reserves			
Excess of net worth over purchase consideration of assets of Wazir Ali Industries Limited		629	629
Share premium	26.1.1	591,323	8,320
Fair value reserves		48	1,687
		592,000	10,636

26.1.1 This reserve can be utilized by the Company only for the purposes specified under section 82(2) of the Companies Ordinance, 1984.

	Note	2014 (Rupees in thousand)	2013 (Restated)
27 Surplus on revaluation of property, plant and equipment - net of tax			
Balance as at 01 July		739,510	744,664
- Surplus arising during the year - net of tax		566,719	-
- Transferred to unappropriated profit as a result of incremental depreciation charged - net of tax		(5,154)	(5,154)
		561,565	(5,154)
Balance as at 30 June		1,301,075	739,510
28 Sales - net			
Local sales		2,579,181	2,381,678
Export sales		2,007,813	1,409,699
		4,586,994	3,791,377
Less: Sales tax		382,309	328,811
Trade discount		51,404	63,125
		433,713	391,936
		4,153,281	3,399,441
29 Cost of goods sold			
Raw and packing materials consumed		1,641,788	1,333,372
Stores and spares consumed		150,287	106,923
Salaries, wages and other benefits	29.1	625,337	528,606
Fuel and power		291,983	212,600
Repairs and maintenance		27,949	17,851
Rent, rates and taxes		2,331	2,662
Insurance		37,796	33,248
Product research and development		-	-
Travelling and conveyance		24,403	16,952
Printing and stationery		2,943	2,723
Postage and telephone		5,595	4,832
Legal and professional charges		1,867	1,142
Entertainment		793	1,361
Staff training		655	414
Subscriptions		627	1,089
Depreciation	7.1.4	78,426	72,228
Ijarah lease rentals		-	484
Expenses for computerization		6,323	4,779
Provision for slow moving stock		1,542	1,193
Other expenses		14,927	15,242
		2,915,572	2,357,701

Notes to the Financial Statements

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	Note	2014 (Rupees in thousand)	2013 (Restated)
Opening stock of work-in-process		47,273	47,305
Closing stock of work-in-process	12	(51,711)	(47,273)
Cost of goods manufactured		2,911,134	2,357,733
Opening stock of finished goods		87,479	60,305
Closing stock of finished goods	12	(71,201)	(87,479)
		2,927,412	2,330,559

29.1 Salaries, wages and other benefits include Rs. 23.64 million (2013: Rs. 10.25 million) and Rs. 22.38 million (2013: Rs. 9.20 million) in respect of defined benefit schemes and defined contribution schemes respectively.

30 Administrative expenses

Salaries and other benefits	30.1	65,707	52,461
Electricity and gas		25	54
Repairs and maintenance		667	857
Rent, rates and taxes		290	15,452
Travelling and conveyance		2,713	2,587
Entertainment		947	1,923
Staff training		120	32
Postage and telephone		637	494
Printing and stationery		2,126	1,124
Legal and professional charges	30.2	27,378	19,354
Donations	30.3	8,160	10,815
Computer expenses		1,969	1,394
Directors' fee	36	320	260
Subscription		10	21
Depreciation on property, plant and equipment	7.1.4	26,838	25,242
Depreciation on investment property		-	729
Others		205	348
		138,112	133,147

30.1 Salaries and other benefits include Rs. 1.47 million (2013: Rs. 1.12 million) and Rs. 7.95 million (2013: Rs. 1.23 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:

		2014	2013
		(Rupees in thousand)	
Note			
	Statutory audit	1,455	1,377
	Half yearly review	350	342
	Out of pocket expenses	195	191
		2,000	1,910
30.3	Name of donee in which a director or his spouse has an interest:		
	Gulab Devi Chest Hospital (GDCH) Ferozepur Road, Lahore. (Syed Shahid Ali, CEO is also Chairman of GDCH)	5,000	-
	Liaquat National Hospital (LNH) National Stadium Road, Karachi. (Syed Shahid Ali, CEO is also President of LNH and Syed Sheharyar Ali, Director is also Member of Governing body)	100	-
	Institute of Islamic Culture (IIC) 158- Shah Jamal, Lahore. (Syed Shahid Ali, CEO is also Chairman of IIC)	500	-
	Punjab Olympic Association (POA) Temple Road, Lahore. (Syed Shahid Ali, CEO is also President of POA)	160	-
		5,760	-
		2014	2013
		(Rupees in thousand)	
31	Distribution cost		(Restated)
	Salaries, wages and other benefits	160,839	133,881
	Repairs and maintenance	3,031	2,870
	Advertising	434,724	424,756
	Freight, octroi and handling	155,512	57,404
	Export commission	28,744	25,130
	Rent, rates and taxes	3,461	1,834
	Travelling and conveyance	31,390	26,530
	Entertainment	239	302
	Product development	1,889	735

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	Note	2014	2013
		(Rupees in thousand)	
Postage and telephone		4,433	2,786
Depreciation on property, plant and equipment	7.1.4	7,459	8,472
Printing and stationery		997	1,199
Legal and professional charges		237	650
Others expenses		2,687	7,189
		835,642	693,738
31.1 Salaries and other benefits include Rs. 3.29 million (2013: Rs. 1.01 million) and Rs. 9.72 million (2013: Rs. 1.29 million) in respect of defined benefit schemes and defined contribution schemes respectively.			
32 Finance cost			
Mark-up on short term borrowings		65,994	99,773
Mark-up on director loan		-	8,838
Bank charges		14,058	14,248
Mark-up on participation term certificates		283,230	279,805
		363,282	402,664
33 Other operating expenses			
Realized exchange loss		5,350	4,617
Unrealized exchange gain		(1,187)	(1,419)
		4,163	3,198
34 Other income			
<i>Income from financial assets</i>			
Profit on bank deposits		9,260	2,941
Profit on term deposits		375	2,090
(Loss)/ gain on disposal of available for sale long term investments		(49)	40
Unrealized gain on short term investments at fair value through profit or loss		106,976	120,991
Realized gain on disposal of short term investments at fair value through profit or loss		51,619	42,331
Dividend income from short term investments		9,880	27,039
Dividend income from long term investments		2,151	2,102
	C/F	180,212	197,534

	Note	2014 (Rupees in thousand)	2013
	B/F	180,212	197,534
<i>Income from non financial assets</i>			
Profit on disposal of property, plant and equipment		22,924	15,161
Profit on disposal of investment property		-	13,650
Rental income		313	5,590
Scrap sale		29,540	18,789
Export rebate		36,240	26,948
Others		91	4,692
		89,108	84,830
<i>Income from related parties</i>			
Dividend income from long term investments		43,345	111,294
Rental income		12,150	2,500
		324,815	396,158
35	Taxation		
	<i>Current</i>		
- For the year	35.1	21,287	21,341
- For prior years		-	(8,592)
	<i>Deferred</i>		
- For the year		(41,888)	(15,970)
		(20,601)	(3,221)

35.1 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.

35.2 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. Nil (2013: Rs. 42.18 million), equivalent to a tax value of Rs. Nil (2013: Rs. 14.76 million).

35.3 During the year the Federal Government of Pakistan vide Finance Act, 2014 introduced Alternate Corporate Tax (ACT) which requires the companies to pay tax @ 17% of its accounting profit for the year, if higher of tax payable @ corporate tax rate or minimum tax. This change has been applicable from tax year 2014. However, the Company's current tax has been computed based on minimum tax being higher than the ACT.

Notes to the Financial Statements

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36 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	------(Rupees in thousand)-----							
Managerial remuneration	16,364	16,364	8,821	5,467	-	-	89,189	43,322
Provident fund	-	-	655	547	-	-	5,461	4,032
Service fund	-	-	655	547	-	-	6,928	4,032
Housing fund	-	-	-	-	-	-	3,758	2,501
Benevolent fund	-	-	-	-	-	-	1,837	1,557
Bonus	-	-	-	9,321	-	-	35,062	46,793
Entertainment	1,636	-	-	-	-	-	2,396	-
Utilities	-	1,636	655	547	-	-	5,641	2,396
Medical	-	924	655	547	-	-	5,831	4,032
Fees	-	-	-	-	320	260	-	-
	18,000	18,924	11,441	16,976	320	260	156,103	108,665
Number of persons	1	1	2	1	5	5	50	37

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

36.2 The Company has contributed Rs. 5.84 million and Rs. 5.72 million in gratuity and superannuation fund, respectively for key management personnel.

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

	2014	2013
- As at 30 June	966	992
- Average number of employees	950	972

37 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 note 15 and trade and other payables note 19 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 Company	Nature of transactions	2014	2013	
		(Rupees in thousand)		
I	Subsidiaries		(Restated)	
	TCL Labor-Hire Company (Private) Limited	Purchase of services Reimbursement of expenses	188,231 15,115	156,795 13,467
	Global Econo Trade (Private) Limited	Sale of goods Purchase of tax losses Reimbursement of expenses	- - 46,389	25,694 14,763 -
	First Treet Manufacturing Modaraba	Purchase of goods Dividend income Rental income	5,143 43,345 12,000	4,377 111,294 2,500
II	Associated undertakings			
	Packages Limited	Purchase of goods Sale of goods	65,388 315	67,386 -
	ZIL Limited	Purchase of goods	54	261
	IGI Insurance Limited	Purchase of services	12,860	32,965
	Bulleh Shah Packaging (Private) Limited	Purchase of goods	21,913	2,967
	Cutting Edge (Private) Limited	Purchase of services	2,574	2,360
	Wazir Ali Industries Limited	Rental income Purchase of goods	150 131	150 -
III	Post employment benefit plans			
	Superannuation fund	Contribution	14,352	12,349
	Gratuity fund	Contribution	14,960	13,306
	Provident fund	Contribution	14,173	15,712
	Service fund	Contribution	7,819	5,984
	Housing Fund	Contribution	4,296	3,321
	Benevolent Fund	Contribution	2,088	1,791

Notes to the Financial Statements

For the year ended 30 June 2014

38 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.

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. Out of the total financial assets of Rs. 1,628 million (2013: Rs. 985 million), the financial assets which are subject to credit risk amounted to Rs. 1,602 million (2013: Rs. 968 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 through distributors.

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:

	2014	2013
	(Rupees in thousand)	
		(Restated)
Long term available for sale investments	15,004	27,449
Long term loans	8,492	10,743
Long term deposits	10,564	10,489
Trade debts	427,585	347,524
Short term investments	630,639	506,653
Loans, advances, deposits, prepayments and other receivables	88,713	16,356
Bank balances	421,456	48,636
	1,602,453	967,850

Trade debts 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:

	2014	2013
	(Rupees in thousand)	
- Local parties	285,642	277,029
- Foreign parties	141,943	70,495
	427,585	347,524
The aging of trade debts at the reporting date is:		
Less than 30 days	13,388	4,775
Past due 1 - 3 months	141,943	70,495
Past due 3 - 6 months	-	-
Past due 6 - 12 months	-	-
Above one year	272,254	272,254
	427,585	347,524

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

For the year ended 30 June 2014

Banks	2014		Rating Agency	2013	
	Rating			Rating	
	Short term	Long term		Short term	Long term
NIB Bank Limited	A1+	AA-	PACRA	A1+	AA-
Faysal Bank Limited	A1+	AA	PACRA	A1+	AA
United Bank Limited	A-1+	AA+	JCR-VIS	A-1+	AA+
Habib Bank Limited	A-1+	AAA	JCR-VIS	A-1+	AA+
Askari Commercial Bank Limited	A1+	AA	PACRA	A1+	AA
National Bank of Pakistan	A-1+	AAA	JCR-VIS	A-1+	AAA
Bank of Punjab	A1+	AA-	PACRA	A1+	AA-
HSBC Bank Middle East Limited	P-1	A2	Moody's	P-1	A1
KASB Bank Limited	A3	BBB	PACRA	A3	BBB
MCB Bank Limited	A1+	AAA	PACRA	A1+	AA+
Silk Bank Limited	A-2	A-	JCR-VIS	A-2	A-
Burj Bank limited	A-1	A	JCR-VIS	A-1	A
Samba Bank Limited	A-1	AA-	JCR-VIS	A-1	AA-
Bank Alfalah Limited	A1+	AA	PACRA	A1+	AA
Bank Islami Pakistan Limited	A1	A	PACRA	A1	A
Standard Chartered Bank	A1+	AAA	PACRA	A1+	AAA
Soneri Bank Limited	A1+	AA-	PACRA	A1+	AA-
Al-Baraka Bank (Pakistan Limited)	A1	A	PACRA	A1	A

38.2 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:

	2014				
	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
(Rupees in thousand)					
<i>Financial liabilities</i>					
Trade and other payables	586,120	586,120	586,120	-	-
Long term deposits	318	318	-	318	-
Short term borrowings	797,357	797,357	797,357	-	-
Redeemable capital	1,075,251	1,186,588	289,503	717,668	179,417
Accrued mark-up	299,513	299,513	299,513	-	-
	2,758,559	2,869,896	1,972,493	717,986	179,417
2013 (Restated)					
	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
(Rupees in thousand)					
<i>Financial liabilities</i>					
Trade and other payables	515,459	515,459	515,459	-	-
Long term deposits	2,381	2,381	-	2,381	-
Short term borrowings	576,180	576,180	576,180	-	-
Redeemable capital	1,254,668	1,362,572	286,070	717,668	358,834
Accrued mark-up	293,514	293,514	293,514	-	-
	2,642,202	2,750,106	1,671,223	720,049	358,834

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 effect the Company's income or the value of its holdings of financial instruments.

38.4 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, GB Pounds and Euros and on foreign currency bank accounts. The Company's exposure to foreign currency risk for US Dollars, GB Pounds and Euros is as follows:

	2014	2013
(Rupees in thousand)		
Outstanding letters of credit (US Dollars)	589,206	488,007
Outstanding letters of credit (GBP)	18,511	-
Outstanding letters of credit (Euros)	18,179	20,171

Notes to the Financial Statements

For the year ended 30 June 2014

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2014	2013	2014	2013
Rupees per USD	98.58	97.26	98.55	98.60
Rupees per Euro	131.86	123.68	134.46	129.25
Rupees per GBP	159.62	150.35	167.79	151.46

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. 9.231 million (2013: Rs. 7.273 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 for the year and assets/ liabilities of the Company.

38.5 Interest rate risk

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

	2014	2013	2014	2013
	Effective rate (Percentage)		(Rupees in thousand)	
Financial assets				
<i>Fixed rate instruments:</i>				
Bank balances - deposit accounts	7- 8.75	6- 8.25	325,160	4,822
Financial liabilities				
<i>Floating rate instrument:</i>				
Short term borrowings	8.70 -11.21	8.70 -13.64	797,357	576,180

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 higher/ lower by Rs 4.309 million (2013: Rs 6.549 million), 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 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:

	2014	2013
	(Rupees in thousand)	
Effect on profit and loss	(63,064)	(50,665)
Effect on equity	(5)	(1,250)
Effect on investments	(63,069)	(51,915)

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

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 Financial Statements

For the year ended 30 June 2014

	2014			Total
	Level 1	Level 2	Level 3	
	(Rupees in thousand)			
<i>Financial assets</i>				
Short term investments at fair value through profit or loss	630,639	-	-	630,639
Long term available for sale investments	52	-	14,952	15,004
	630,691	-	14,952	645,643

	2013			Total
	Level 1	Level 2	Level 3	
	(Rupees in thousand)			
<i>Financial assets</i>				
Short term investments at fair value through profit or loss	506,653	-	-	506,653
Long term available for sale investments	12,497	-	14,952	27,449
	519,150	-	14,952	534,102

38.7 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

38.8 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:

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

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

The debt-to-equity ratios as at 30 June 2014 and at 30 June 2013 were as follows:

	2014	2013
	(Rupees in thousand)	
Total debt	1,872,608	1,830,848
Total equity and debt	4,468,848	3,641,692
Debt-to-equity ratio	42%	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.

Notes to the Financial Statements

For the year ended 30 June 2014

39 Operating Segments

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

39.1 Sales from blades represent 100% (2013: 99.99%) of total sales of the Company.

39.2 Significant sales are made by the Company in the following countries:

	Note	2014 (Rupees in thousand)	2013
Pakistan		2,145,468	1,939,895
Iran		1,270	5,324
Saudi Arabia		366,456	243,978
China		248,100	145,473
Bangladesh		300,223	186,342
Jordan		144,252	116,593
Brazil		65,252	65,403
Yemen		70,827	52,169
Morocco		38,110	-
Angola		32,739	17,069
United Arab Emirates		439,966	35,966
Taiwan		15,410	18,216
Vietnam		2,188	-
Egypt		47,001	37,509
Other countries		236,019	535,504
		4,153,281	3,399,441

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

40 Cash generated from operations

(Restated)

Profit before taxation

195,030

215,549

Adjustments for non-cash and other items:

Finance cost

363,282

402,664

Depreciation on property, plant and equipment

7.1

112,723

105,942

Depreciation on investment property

-

729

Provision for gratuity

14,822

18,217

Provision for superannuation

13,580

15,498

Profit on bank deposits

(9,635)

(5,031)

Raw material stock not useable written off

1,542

1,193

Profit on sale of property, plant and equipment

(22,924)

(15,161)

Profit on sale of investment property

-

(13,650)

Provision for WPPF and WWF

14,455

15,975

Unrealized gain on investment at fair value through profit or loss

(106,976)

(120,991)

Loss on sale of available for sale long term investments

49

(40)

Unrealized exchange gain

(1,187)

(1,419)

Dividend income

(55,376)

(140,435)

324,355

263,491

519,385

479,040

	Note	2014 (Rupees in thousand)	2013
Operating profit before working capital changes			
<i>Decrease / (increase) in current assets</i>			
Stores and spares		(24,390)	17,801
Stock-in-trade		28,586	(94,959)
Trade debtors		(78,874)	146,782
Short term investments		(17,010)	(22,192)
Loans, advances, deposits, prepayments and other receivables		(73,279)	(33,499)
		(164,967)	13,933
<i>(Decrease) / increase in current liabilities</i>			
Trade and other payables		64,184	(21,144)
		418,602	471,829
41 Cash and cash equivalents			
Cash and bank balances	16	447,139	65,983
Short term running finance - secured	18.1	(132,525)	(38,595)
		314,614	27,388
42 Earnings per share - basic and diluted			
Profit for the year after taxation		<i>Rupees in thousand</i> 215,632	219,539
Weighted average number of shares		<i>Number in thousand</i> 47,813	43,628
Earnings per share		<i>Rupees</i> 4.51	5.03

Conversion of participation term certificates into ordinary shares have anti-dilutive impact on the basic earnings per share.

	Production capacity		Actual production	
	2014	2013	2014	2013
	(Units in million)		(Units in million)	
43 Plant capacity and production				
Hyderabad plant	600	525	590	572
Lahore plant	1,000	950	1,165	1,001
			1,755	1,573

44 Date of authorization for issue

These financial statements were authorized for issue on September 29, 2014 by the Board of Directors of the Company.

45 General

Corresponding figures have been re-arranged or reclassified wherever necessary, for the purposes of comparison.

Pattern of Shareholding

As at June 30, 2014

Sr. No.	No. of Shares		Share Holding		No. of Shareholders	No. of Shares
	From	To	CDC	Physical		
1	1	100	363.00	829.00	1,192	42,399
2	101	500	575.00	405.00	980	337,214
3	501	1,000	414.00	123.00	537	482,007
4	1,001	5,000	574.00	169.00	743	1,902,840
5	5,001	10,000	101.00	34.00	135	1,012,568
6	10,001	15,000	39.00	5.00	44	555,389
7	15,001	20,000	20.00	6.00	26	467,957
8	20,001	25,000	19.00	2.00	21	488,770
9	25,001	30,000	4.00	3.00	7	195,924
10	30,001	35,000	4.00	1.00	5	168,680
11	35,001	40,000	3.00	-	3	115,868
12	40,001	45,000	7.00	2.00	9	383,390
13	45,001	50,000	6.00	-	6	296,872
14	50,001	55,000	2.00	-	2	102,960
15	55,001	60,000	2.00	-	2	117,000
16	65,001	70,000	1.00	-	1	70,000
17	75,001	80,000	1.00	-	1	80,000
18	80,001	85,000	1.00	-	1	85,000
19	85,001	90,000	1.00	-	1	85,050
20	95,001	100,000	2.00	-	2	197,650
21	105,001	110,000	1.00	-	1	110,000
22	135,001	140,000	1.00	-	1	140,000
23	190,001	195,000	1.00	-	1	190,990
24	230,001	235,000	1.00	-	1	233,000
25	320,001	325,000	2.00	-	2	644,756
26	325,001	330,000	1.00	-	1	325,780
27	600,001	605,000	-	2.00	2	1,203,460
28	605,001	610,000	-	1.00	1	606,720
29	620,001	625,000	1.00	-	1	622,140
30	1,120,001	1,125,000	1.00	-	1	1,121,500
31	2,645,001	2,650,000	-	1.00	1	2,645,350
32	2,770,001	2,775,000	1.00	-	1	2,771,613
33	3,265,001	3,270,000	1.00	-	1	3,268,820
34	4,015,001	4,020,000	1.00	-	1	4,017,192
35	4,075,001	4,080,000	1.00	-	1	4,078,780
36	5,440,001	5,445,000	1.00	-	1	5,442,060
37	5,910,001	5,915,000	-	1.00	1	5,912,500
38	10,500,001	10,505,000	1.00	-	1	10,500,945
			2,154	1,584	3,738	51,023,144

Pattern of Shareholding

As at June 30, 2014

NAME & CATEGORY WISE DETAILS IN ACCORDANCE WITH THE CCG 2012		CDC	CDC	Physical	Physical	TOTAL	TOTAL	%
Syed Shahid Ali	Director	3	11,146,866	1	2,645,350	4	13,792,216	27.03%
Syed Sheharyar Ali	Director	2	4,022,487	-	-	2	4,022,487	7.88%
Dr. Mrs. Niloufer Mahdi	Director	1	97,650	1	603,170	2	700,820	1.37%
Mrs. Ferial Ali Mehdi	Director	1	1,150	-	-	1	1,150	0.00%
Imran Azim	Director - Nominee NIT	-	-	-	-	-	-	0.00%
Munir Karim Bana	Director - Nominee Loads Limited	1	200	-	-	1	200	0.00%
Jalees Ahmed Siddiqi	Director - Nominee - IGI Insurance Limited	1	100	-	-	1	100	0.00%
Mr. Shafique Anjum	Director	-	-	1	25,050	1	25,050	0.05%
Loads Limited	Associated Company	1	3,268,820	-	-	1	3,268,820	6.41%
IGI Insurance Limited	Associated Company	1	5,442,060	-	-	1	5,442,060	10.67%
NIT	Government Institution	5	7,188,390	-	-	5	7,188,390	14.09%
Foreign Company		-	-	1	5,912,500	1	5,912,500	11.59%
Bank, DFI, Insurance		7	1,918,132	2	180	9	1,918,312	3.76%
Joint Stock Companies		29	240,516	4	4,328	33	244,844	0.48%
Investment Companies		4	29,100	-	-	4	29,100	0.06%
Public Sector		-	-	-	-	-	-	0.00%
Modaraba		-	-	-	-	-	-	0.00%
Executive		-	-	-	-	-	-	0.00%
Company Secretary		-	-	-	-	-	-	0.00%
Others		8	49,264	-	-	8	49,264	0.10%
Individual		2,090	6,003,688	1,574	2,424,143	3,664	8,427,831	16.52%
		2,154	39,408,423	1,584	11,614,721	3,738	51,023,144	100.00%

SHAREHOLDERS HOLDING 10% SHARES

Sr. No.	Name of Shareholder	Shares
1	IGI INSURANCE LIMITED	5,442,060
2	SYED SHAHID ALI	13,792,216
3	ESCANABA LIMITED	5,912,500
4	NATIONAL BANK OF PAKISTAN	7,188,390

Intimation under Clause (I) of sub-regulation (XVI) of Regulation 35 of Chapter (XI) of Listing Regulations of Karachi Stock Exchange Limited during the year.

	15% Right Subscribed		Through TCLTC* Conversion		Market Trade : Buy/(Sell)	
	No. of Shares	Price per Share	No. of Shares	Conversion Price*	No. of Shares	Market Price
Syed Shahid Ali	2,182,051	80.00	1,045,205	59.14		
Syed Sheharyar Ali	521,100	80.00	22,092	59.14	5,295	101.00
Dr. Mrs. Niloufer Mahdi	90,475	80.00	7,175	59.14		
Mrs. Ferial Ali Mehdi	150	80.00	-			
Imran Azim					(50)	197.97
Munir Karim Bana			32,200	59.14	(32,000)	84.45
Jalees Ahmed Siddiqi					100	117.05

*Participation Term Certificate : - Conversion Price is Rs. 59.14 per share. This is the opportunity cost of the principal value of TCLTC forgone to get One additional Ordinary Share of the Company.

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-Ferozpur Road, Lahore
Tel: 042-37426144
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 Symbols

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

The stock symbols for dealing in PTC of Treet Corporation Limited is 'TCLTC'

Listing Fees

The Annual listing fee for the Financial Year 2014-2015 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. The website contains the latest financial results of the Company together with Company's profile and product range.

Free Float of Shares

	Physical	CDC	Total
No. of Shares Outstanding	11,614,721	39,408,423	51,023,144
Shares held by Directors	3,273,570	15,268,453	18,542,023
Shares held by Associates	-	8,710,880	8,710,880
Shares held by Government Institution	-	7,188,390	7,188,390
Shares held by foreign companies	5,912,500	-	5,912,500
Others	2,428,651	8,240,700	10,669,351
	11,614,721	39,408,423	51,023,144
Free Float of Shares as on June 30, 2014		8,240,700	8,240,700
% of Free Float		20.91%	16.15%

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 2013 dated June 05, 2013 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

Third Fold and Tuck In

First Fold



To thrive in today's economy, we
must challenge the status quo
and get the necessary
skills/know-how to succeed and
revisit our paradigms



Treet Corporation Limited

Head Office:

72-B, Industrial Area, Kot Lakhpat, Lahore - 54770

Phone: +92-42 35830881 - 35156567 - 3512296

Fax: +92-42 35114127 - 35836770