

TREET BATTERY LIMITED  
Financial Statements for The  
Year Ended 30 June 2023



## INDEPENDENT AUDITORS' REPORT

To the members of Treet Battery Limited

### Report on the Audit of the Financial Statements

#### Opinion

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


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

#### Basis for Opinion

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

#### Emphasis of Matter

We draw users' attention to notes 1.2 to 1.6 to the financial statements, which disclose the demerger of the battery segment of First Treet Manufacturing Modaraba (FTMM) and transfer of the said segment to the Company as per the Scheme of arrangement approved by the certificate and shareholders of FTMM and the Company respectively and sanctioned by the Honourable Lahore High Court, Lahore.

Our opinion is not modified in respect of this matter. 

### **Information Other than the Financial Statements and Auditors' Report Thereon**

Management is responsible for the other information. The other information comprises the Director's Report, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have not been provided with the Director's Report hence we have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

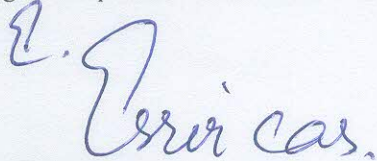
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Mr. Adnan Rasheed.



**Rahman Sarfaraz Rahim Iqbal Rafiq**

CHARTERED ACCOUNTANTS

Lahore: 27 SEP 2023

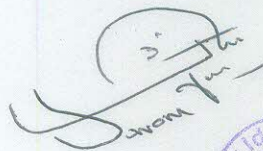
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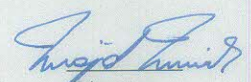
**TREET BATTERY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2023**

	Note	2023	2022
		(Rs in 000's)	
<b>PROPERTIES AND ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	7,521,895	-
Right-of-use asset (ROU)	6	17,949	-
Long term security deposits	7	36,525	-
		<b>7,576,369</b>	<b>-</b>
<b>CURRENT ASSETS</b>			
Stores and spares	8	56,638	-
Stock in trade	9	1,141,068	-
Trade debtors	10	450,605	-
Advances, deposits, prepayments and other receivables	11	51,366	10
Income tax recoverable/ adjustable		23,647	4
Cash and bank balances	12	24,969	1,193
		<b>1,748,293</b>	<b>1,207</b>
<b>Total properties and assets</b>		<b>9,324,662</b>	<b>1,207</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	13	8,822,765	1,000
Capital reserves			
Reserve for issuance of shares	14	11,008	-
Demerger deficit		(8,211,666)	-
Surplus on revaluation of property, plant and equipment	15	618,172	-
		<b>1,240,279</b>	<b>1,000</b>
Revenue reserve			
Unappropriated profit		70,255	119
<b>Shareholders' equity</b>		<b>1,310,534</b>	<b>1,119</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liability	16	11,943	-
Deferred taxation	17	144,366	-
		<b>156,309</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>			
Current portion of lease liability	16	7,020	-
Short term borrowings	18	6,806,544	-
Trade and other payables	19	899,018	75
Accrued markup on secured borrowings		119,730	-
Provision for taxation		25,507	13
		<b>7,857,819</b>	<b>88</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	20	-	-
<b>Total equity and liabilities</b>		<b>9,324,662</b>	<b>1,207</b>

The annexed notes 1 to 39 form an integral part of these financial statements.

  
**Chief Executive Officer**



  
**Director**



**TREET BATTERY LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023	2022
(Rs in 000's)			
Sales - net	21	2,040,584	-
Cost of sales	22	(1,555,955)	-
<b>Gross profit</b>		<b>484,629</b>	<b>-</b>
<b>Operating expenses</b>			
Administration and general expenses	23	(10,527)	(30)
Selling and distribution expenses	24	(158,416)	-
Other expenses	25	(7,353)	-
		(176,296)	(30)
<b>Operating profit/ (loss)</b>		<b>308,333</b>	<b>(30)</b>
Finance cost	26	(301,167)	-
Other income	27	66,598	74
<b>Profit before taxation</b>		<b>73,764</b>	<b>44</b>
Taxation	28	(15,773)	(13)
<b>Profit after taxation</b>		<b>57,991</b>	<b>31</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified to profit or loss		-	-
<b>Total comprehensive income for the year</b>		<b>57,991</b>	<b>31</b>
Earnings per share - basic and diluted	29	0.07	0.31

The annexed notes 1 to 39 form an integral part of these financial statements.



Chief Executive Officer




Director



**TREET BATTERY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	Share capital	Capital reserves			Surplus on revaluation of Property, plant and equipment	Revenue reserve		Total
		Reserve for issuance of shares	Demerger deficit			Unappropriated profit		
		(Rs in 000's)						
Balance as at 01 July 2021	1,000	-	-	-	-	88		1,088
Total comprehensive income for the year	-	-	-	-	-	31		31
Profit after taxation	-	-	-	-	-	119		1,119
Balance as at 30 June 2022	1,000	-	-	-	630,317	-		1,251,424
Transfer of net assets from the Modaraba (note 1.6)	-	8,832,773	(8,211,666)	-	-	-		57,991
Total comprehensive income for the year	-	-	-	-	-	-		57,991
Surplus transferred to unappropriated profit on account of:								
Incremental depreciation charged during the year	-	-	-	-	(12,145)			-
Issuance of shares	8,821,765	(8,821,765)	-	-	-	12,145		-
	8,822,765	11,008	(8,211,666)	-	618,172	70,255		1,310,534

Balance as at 01 July 2021  
 Total comprehensive income for the year  
 Profit after taxation

Balance as at 30 June 2022  
 Transfer of net assets from the Modaraba (note 1.6)

Total comprehensive income for the year

Surplus transferred to unappropriated profit on account of:  
 Incremental depreciation charged during the year

Issuance of shares

The annexed notes 1 to 39 form an integral part of these financial statements.



Chief Executive Officer



Director





**TREET BATTERY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	<u>Note</u>	2023	2022
		(Rs in 000's)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		73,764	44
<b>Adjustments for non-cash and other items:</b>			
Depreciation		70,912	-
Profit on bank deposits		(3,034)	(74)
Finance cost		132,744	-
Impairment allowance for expected credit loss		(3,564)	-
Exchange loss		4,286	-
Workers' Welfare Fund		1,505	-
Provision for warranty		2,304	-
Reversal of excess provision charged		(60,000)	-
		<u>145,153</u>	<u>(74)</u>
<b>Operating cash flows before working capital changes</b>		<b>218,917</b>	<b>(30)</b>
<b>Changes in working capital</b>			
<b>(Increase)/ decrease in current assets:</b>			
Stores and spares		(616)	-
Stock in trade		359,412	-
Trade debtors		(167,790)	-
Advances, deposits, prepayments and other receivables		32,844	(10)
Income tax recoverable/ adjustable		(23,643)	-
		<u>200,207</u>	<u>(10)</u>
<b>Increase/ (decrease) in current liabilities:</b>			
Trade and other payables		(557,816)	30
<b>Cash used in operations</b>		<u>(138,692)</u>	<u>(10)</u>
Income tax paid		(13)	(10)
Financial cost paid		(110,590)	-
<b>Net cash used in operating activities</b>		<u>(249,295)</u>	<u>(20)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments made in property, plant and equipment		(18,773)	-
Profit received on bank deposits		3,034	74
Long term security deposits		3	-
<b>Net cash (used in)/ generated from investing activities</b>		<u>(15,736)</u>	<u>74</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term borrowings		290,323	-
Lease liability		(1,516)	-
<b>Net cash generated from financing activities</b>		<u>288,807</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>		<u>23,776</u>	<u>54</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>1,193</u>	<u>1,139</u>
<b>Cash and cash equivalents at the end of the year</b>	12	<u>24,969</u>	<u>1,193</u>

The annexed notes 1 to 39 form an integral part of these financial statements.



Chief Executive



Director



**TREET BATTERY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**1 STATUS AND NATURE OF BUSINESS**

**1.1 Treet Battery Limited**

Treet Battery Limited (the Company) was incorporated on February 22, 2019 as a public company limited by shares under the provisions of the Companies Act, 2017. The principal activities of the Company is to carry out business as manufacturers, assemblers, processors, producers, suppliers, sellers, importers, exporters, makers, fabricators and dealers in all batteries including but not limited to lead acid batteries, deep cycle batteries, lithium batteries, nickel cadmium batteries, nickel metal hydride batteries, absorbed glass mat (AGM) batteries, gel batteries used in or required for industrial, transport, commercial and domestic and any other purpose. The Company is a wholly owned subsidiary of Treet Holdings Limited which is a wholly owned subsidiary of Treet Corporation Limited - the ultimate parent company, a listed company. The registered office of the Company and its holding entities is situated at 72-B, Industrial Area, Kot Lakhpat, Lahore, whereas the manufacturing plant is situated at Plot Number 1, Phase 2, M-3 Industrial City (FIEDMC), Sahianwala Interchange, Faisalabad

**1.2 First Treet Manufacturing Modaraba**

First Treet Manufacturing Modaraba (the Modaraba) is a multipurpose, perpetual and multi dimensional Modaraba formed on 27 July 2005 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed thereunder and is managed by Treet Holdings Limited (a wholly owned subsidiary of Treet Corporation Limited, the parent company of the Modaraba), incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba and its management company is situated at 72 - B, Kot Lakhpat, Industrial Area, Lahore. The Modaraba is listed on Pakistan Stock Exchange Limited. During the year, the Modaraba, which was previously engaged in the manufacturing and sale of corrugated boxes, soaps and batteries, demerged and transferred its battery segment undertaking and business to the Company. For details, refer notes 1.3, 1.4, 1.5 and 1.6.

**1.3 Demerger of battery segment**

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

**1.4 Vesting and transfer of the Business to the Company**

As per the Scheme, from and on the effective date the Business was duly transferred and vested in the Company in the following manner:

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

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

(iii) As consideration for transfer and vesting of the Business into the Company, the Company were to allot ordinary shares to the certificate holders of the Modaraba as explained in note 1.5.

**1.5 Main features of the Scheme are summarized below:**

(i) 883.2773 million shares of the Company having face value of Rs. 8,832.773 million were to be issued to the certificate holders of the Modaraba. Consequently certificate capital of the Modaraba, attributable to the Business were to be reduced by 687.99 million certificates having face value of Rs. 6,879.903 million and remaining 195.287 million shares of the Company having face value of Rs. 1,952.870 million were to be issued against share premium of Rs. 1,952.870 million of the Modaraba.

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

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

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



## 1.6 Transfer of Battery Segment balances

On the sanctioned date, the Modaraba has transferred the following assets and liabilities to the Company as per the Scheme sanctioned by the Honourable Lahore High Court, Lahore:

### ASSETS

(Rs in 000's)

#### Non-current assets

Property, plant and equipment  
Right-of-use asset (ROU)  
Long term deposits

7,572,111
19,872
36,528
<u>7,628,511</u>

#### Current assets

Stores and spares  
Stock in trade  
Trade debtors  
Advances, deposits, prepayments and other receivables

56,022
1,500,480
282,815
84,200
<u>1,923,517</u>

Total assets

9,552,028

#### Non-current liabilities

Lease liability  
Deferred taxation

13,833
154,102
<u>167,935</u>

#### Current liabilities

Current portion of lease liability  
Short term borrowings  
Trade and other payables  
Accrued markup on secured borrowings

6,646
6,516,221
1,512,226
97,576
<u>8,132,669</u>

Total liabilities

8,300,604

**Net assets transferred to the Company**

1,251,424

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

### 2.2 Basis of measurement

These financial statements have been prepared under the "historical cost convention" except for land, building, plant and machinery, which are carried at revalued amounts, recognition of staff retirement benefits which is based on actuarial values and financial instruments which are stated at fair value. The financial statements, except for cash flows information, have been prepared under the accrual basis of accounting.

### 2.3 Presentation

These financial statements are presented in Pak Rupees which is also the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded to the nearest thousand of Rupees. Figures for previous year are rearranged wherever necessary to facilitate comparison. Appropriate disclosure is given in relevant note in case of material rearrangement.

### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the Company 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 Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

	<u>Note</u>
- Provision for taxation	4.1
- Residual values and useful lives of depreciable assets	4.2/ 5.1
- Residual values and useful lives of right-of-use assets	4.3/ 6
- Surplus on revaluation of property, plant and equipment	4.13
- Employees retirement benefits	4.15
- Provisions	4.16
- Contingencies	4.17

### 3 INITIAL APPLICATION OF A STANDARD, AMENDMENT OR AN INTERPRETATION TO AN EXISTING STANDARD AND FORTHCOMING REQUIREMENTS

#### a) Standards and interpretations that became effective but are not relevant to the Company:

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Company other than increased disclosures in certain cases:

- IFRS 3 - Business Combinations - (Amendments updating a reference to the Conceptual Framework).
- IFRS 9 - Financial Instruments - (Amendments to 10 percent test for derecognition of financial liabilities in fee).
- IAS 16- Property, Plant and Equipment - (Amendments regarding proceeds before intended use).
- IAS 16- Property, Plant and Equipment - (Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company).
- IAS 37- Provisions, Contingent Liabilities and Contingent Assets - (Amendments regarding the costs to include when assessing whether a contract is onerous).

#### b) Forthcoming requirements not effective in current year and not considered relevant:

The following standards (revised or amended) and interpretations became effective for annual periods beginning on or after the mentioned dates but are either not relevant or do not have any material effect on the financial statements of the Company other than increased disclosures in certain cases:

- IAS 1- Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies - (Effective for annual periods beginning on or after 1 January 2023).
- IAS 1- Presentation of Financial Statements - Amendments regarding the classification of debt with covenants - (effective for annual periods beginning on or after 1 January 2024).
- IAS 1 - Presentation of financial statements - Amendments regarding the classification of liabilities - (applicable on annual periods beginning on or after 1 January 2024).
- IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates - (Effective for annual periods beginning on or after 1 January 2023).
- IAS 12- Income Taxes - Amendments regarding deferred tax related to assets and liabilities arising from single transaction - (effective for annual periods beginning on or after 1 January 2023).
- IFRS 7 - Financial Instruments - Amendments regarding supplier finance arrangements - (applicable on annual periods beginning on or after 1 January 2024).
- IFRS 16 - Leases - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions - (applicable on Annual periods beginning on or after 1 January 2024).
- IAS 7 - Statement of cash flows - Amendments regarding supplier finance arrangements - (applicable on annual periods beginning on or after 1 January 2024).
- IAS 41 - Agriculture - Amendment regarding taxation in fair value measurement - (effective for annual periods beginning on or after 1 January 2023).
- IFRS 10/ IAS 28 - Consolidated Financial Statements and Investment in Associates - Amendment regarding the sale or contribution of assets between an investor and its associate or joint venture - (Application date not yet finalized).

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

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



#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of the financial statement are set out below:

##### 4.1 Taxation

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

###### Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any, or minimum taxation at the rate of 1.25% of the turnover, in case there is a gross profit, or alternative corporate tax at the rate of 17% of accounting profit adjustable as per income tax laws, whichever is higher. For income covered under Final Taxation Regime (FTR), taxation is based on the applicable tax rates under such Regime. The charge for current tax includes adjustments to charge for prior years, if any.

###### Deferred

Deferred taxation is provided on all temporary timing differences by using the balance sheet liability method.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilized. No deferred tax asset has been recognized in these financial statements.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

##### 4.2 Property, plant and equipment

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

Depreciation is provided on straight line method at rates specified in note 5.1 to the financial statement so as to write off the cost of property, plant and equipment over their estimated useful life. Depreciation on additions to property, plant and equipment is charged from the day on which an asset is available for use till the day the asset is retired from active use or the asset is disposed off.

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

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

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

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

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

###### **Capital work in progress**

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

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



#### 4.3 Right-of-use asset

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

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

#### 4.4 Lease liability

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

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

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

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

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

#### 4.5 Stores and spares

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

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

#### 4.6 Stock in trade

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

#### 4.7 Share capital

Ordinary shares are classified as equity and recognized at their face value.

#### 4.8 Demerger deficit

The deficit (as described in the note 1 and 14 to these financial statements) is created on demerger of the Business from the Modaraba, pursuant to the Scheme.

#### 4.9 Trade and other receivables

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

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

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



