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Corporate Information

Principal Place of Business	72-B, Kotlakhpat, Industrial Area, Lahore
Modaraba Company and Registered Office	Global Econo Trade (Private) Limited 72-B, Kotlakhpat, Industrial Area, Lahore
Packaging Solutions:	
Corrugation - Plant Location	Kacha Tiba Rohi Nala, 22-KM, Ferozepur Road, Lahore
Paper & Board Mill - Plant Location	31-KM Sheikhupura Road, Sheikhupura
Soap – Plant Location	Ghakkar [under Toll Manufacturing Arrangement]
Chief Executive Officer	Syed Shahid Ali
Directors	Syed Sheharyar Ali Muhammad Shafique Anjum Shahid Zia
Auditors of the Modaraba	Hyder Bhimji & Company Chartered Accountants
Auditors of the Modaraba Company	KPMG Taseer Hadi & Co. Chartered Accountants
Audit Committee	<ul style="list-style-type: none"> ● Muhammad Shafique Anjum - Chairman ● Syed Shahid Ali - Member ● Shahid Zia - Member
Share Registrar	Scarlet I.T. Systems (Private) Limited 24 - Ferozepur Road, Lahore Phone: (042) 37087113, 37570202 Fax: (042) 37570303 E-mail: treet@scarletsystem.com
Legal Advisors	Salim & Baig - Advocates
Bankers to the Modaraba	<ol style="list-style-type: none"> 1. Allied Bank Limited 2. BankIslami Pakistan Limited 3. Bank Alfalah Limited 4. Barclays Bank PLC, Pakistan 5. Faysal Bank Limited 6. Habib Bank Limited 7. MCB Bank Limited 8. NIB Bank Limited 9. United Bank Limited
Chief Accountant – Modaraba Company	Sohail Habib
Chief Accountant – Modaraba	Sajjad Haider Khan
Company Secretary	Ayaz Ahmed

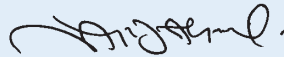
Notice of 5th Annual Review Meeting

Notice is hereby given that 5th Annual Review Meeting of certificate holders of First Treet Manufacturing Modaraba will be held on Monday October 31, 2011 at 10.00 A.M. at the Registered Office of the Modaraba situated at 72-B, Kotlakhpat Industrial Area, Lahore for the year ended June 30, 2011.

The Management of the Modaraba also pleased to announced Final Cash Dividend @ 6.94% i.e. Re. 0.694 per certificate to existing Certificate Holders of the Modaraba.

The Certificate Transfer Books will remain closed from October 24, 2011 to October 31, 2011 (both days inclusive) for the purpose of determination of names of the certificate holders for above dividend and for attendance of Annual Review Meeting. The certificate holders whose names appear on the Register of Certificate Holders of First Treet Manufacturing Modaraba as on October 22, 2011 will be eligible for payment of dividend as well as to attend the Annual Review Meeting.

By order of the Board



(AYAZ AHMED)

Company Secretary

Global Econo Trade (Private) Limited

Managers of First Treet Manufacturing Modaraba

LAHORE:

October 06, 2011

Notes:

1. In case of individuals, the account holder and/or person whose securities are in CDC sub account or investor account shall show their identity by showing original computerized national identity card (CNIC) or original passport at the time of attending the meeting, CDC sub account holders/investor account holders are also requested to bring their account numbers maintained with CDC.
2. In case of corporate entity, board of director's resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

Mission, Vision Statements

MISSION STATEMENT

Our MISSION is, to satisfy and exceed the needs of our customers, providing our products and services with only the best quality, adjusted to their needs and preferences and to create value for our stakeholders. In order to accomplish this, we will continue our emphasis on being the industry's lowest cost producer that responds to customer needs with value-added products and services. We will strive to exceed customer expectations.

It is our belief that we can fulfill this mission through a unique combination of industry vision, supply chain expertise and innovative technology.

VISION STATEMENT

To be an innovative market leader in our businesses that benefit society. We will be differentiated from our competitors by technology, quality, engineering, sales and marketing expertise, while ensuring financial strength and sustainable growth of the **Treet Group** for the benefit of its stakeholders.

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

Statement of Ethics and Business Practices

Guidelines to Business Conduct

EMPLOYEES

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

BUSINESS PARTNERS

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

BUSINESS RESOURCES

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

COMMUNITIES

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

Corporate Social Responsibility

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

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

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

CUSTOMERS

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

OUR PEOPLE

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

PRODUCTS AND SERVICES

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

SUPPLIERS

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

SHAREHOLDERS

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

PLANNING

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

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

It is Treet Group policy to;

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

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

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

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

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

Investment / Funding and Dividend Policies

INVESTMENT POLICY

The Executive Committee of the Directors is responsible for seeking/evaluating and recommending either;

- Portfolio Investments (i.e. in Shares/ Securities etc. (Fresh Issues or Market Purchase) or Financial claims); or
- Investment in New Projects (either equity based or loan based); or
- Joint Ventures; or
- Investment in Intangibles (Goodwill/ Trade Marks/ Patents etc.)

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

FUNDING POLICY

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

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

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

These funding options may include;

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

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

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

DIVIDEND POLICY

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

- 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.

Directors' Report

Board of Directors of Global Econo Trade (Private) Limited (GET), the Modaraba Company of First Treet Manufacturing Modaraba (FTMM), is pleased to present the Directors' Report on the 5th annual accounts of FTMM for the year ended June 30, 2011. These accounts have been audited by statutory auditors of the Modaraba and are accompanied by their audit report.

Economic Outlook

This period has been marked by the continuing and intensified security challenges the country has confronted since 2001. In addition, the country faced multiple adverse shocks of commodity and oil prices and the fallout of the global financial crisis. The year under review saw the unprecedented calamity of the great floods. These floods wiped out about 2 percentage points from the growth as well as inflicted a massive damage of \$10 billion on country's economic structure.

Large-scale manufacturing remained victim of power outages and lower domestic demand. Slowdown in large-scale manufacturing from earlier projected 4.9 percent to 1.7 percent (July- March 2010-11) reflects the impact of the severity of energy shortages and electricity tariff –hike leading to cost escalation.

The economy has considerably lost significant growth momentum during last three years as the economic growth averaged just 2.6 percent as against 5.3 percent in the preceding eight years.

There are many reasons for deceleration of growth momentum like massive terms of trade shock of 2008, global financial crisis, intensification of war on terror, security hazards etc. While the economic environment in Pakistan remained inhospitable for growth and investment during 2010-11, and particularly the performance of the LSM is affected by the factors like weakening of demand in the international and domestic market, inflation, high input costs, high government sector borrowing crowding out availability of credit to the private sector and acute energy shortages etc.

A comprehensive growth strategy is being evolved, to increase productivity, efficiency, and competitiveness of the Modaraba, and to ensure high growth rates that are both sustainable as well as more profitable.

The global economic environment has largely remained fragile. The advanced economies are still struggling to gain traction after making initial gains in stabilizing financial markets and avoiding the 2008 recession from becoming a 2011 depression. The emerging economies, on the other hand, are unwinding the expansionary policies and debating the trade-off between controlling inflation and handling substantial capital inflows. The turmoil in the oil-rich Middle East and North Africa (MENA) region and damage to the Japanese economy in the wake of an historic earthquake and tsunami has complicated matters further.

The government borrowing from scheduled banks, however, has increased substantially. It grew by 74.5 percent in FY11 and contributed 65 percent to the 15.9 percent growth in broad money (M2). The growth in private sector credit, on the other hand, was only 4 percent with negligible demand for fixed investment. These monetary trends show that the decline in aggregate demand is less than desirable and expansion in productive capacity of the economy remains weak. Lower fixed investment does not augur well for the economy since investment today means ability to produce tomorrow. Lagging investment would constrain future supply and possibly result in an increase in the output gap even if aggregate demand remains unchanged. In addition, relatively lower credit demand for fixed investment is because no major long term projects have been initiated in FY11. Failure to address the electricity shortages and dismal law and order conditions continue to have a dampening effect on the prospects of long term investment projects and higher growth in private sector credit.

Demand of corrugated packaging/ paper and boards products are derived demand stemming from industrial (and to some extent agricultural) growth. Thus industrial growth is pivotal to the growth of your Modaraba. The manufacturing sector has been hard hit by international and domestic factors. Besides, law and order and acute power outages, resulting in loss of working hours, this sector has also fallen victim to rising cost of production. Continuous power breakdowns are preventing industries from operating at far less than their optimal level. All these factors have caused a slowdown in output.

Under these volatile and unwieldy circumstances, maintaining good margins would be challenging and these can only be achieved through conscious approach and candid efforts by bringing in price rationalization, production efficiencies, improvement in operations [and keeping motivational thrust alive among stakeholders] and raw material sourcing.

Moreover, in a volatile business environment, operating at both types of leverages [financial & operational] can be risky particularly where financial costs are expected to increase because of the inflationary factors [and where financial leverage is unrelated to business outcome]. Thus your Modaraba has replaced bank borrowings with the equity through right certificates.

FINANCIAL RESULTS

Rs. in 000'	2010-2011	2009-2010	% Change
Sales (net)	1,790,217	1,476,843	21.22%
Net Profit	123,228	48,516	153.99%
Earnings per Certificate	1.70	0.96	77.08%
Transfer to Statutory Reserve (50%)	61,614	24,258	153.99%
Book Value per Certificate	10.98	9.54	15.09%

SEGMENT-WISE ANALYSIS

Rs. in 000'	Corrugated Packaging		Paper & Board		Soap	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
Gross Sales	1,127,943	1,099,524	147,958	35,069	870,810	622,498
Inter-Segment Sales	58,562	36,388	355,506	85,676	-	-
Less: Sales Tax & Excise	(167,332)	(156,779)	(23,342)	(4,999)	(165,820)	(118,470)
Total Sales	1,019,173	979,133	480,122	115,746	704,990	504,028
Gross Profit	80,956	78,516	9,629	(3,403)	95,087	43,888
Gross Profit %	7.94%	8.02%	2.01%	(2.94)%	13.49%	8.71%

CORRUGATED PACKAGING

Gross margins are maintained despite of less quantitative volumes through price rationalization and change in product mix. However, operating margins are reduced due to provision against doubtful debts.

Moreover, increase in tariff rates and power outages [and burden is felt in the shape of expensive in-house generation] and inflationary impact on salaries & wages [outsourced services], transportation costs were negative factors on net profitability during the year.

Efforts are being made to broaden the customer base through market diversification. However, raw material costs remained on the rising trend [and uncertain] during the period particularly due to the price hikes in international markets.

PAPER & BOARD

Paper & Board Mill has shown good volume growth during the year and also turned into Green. The size of the project is capable to produce an average of 30~40 Tons of papers per day but with the some modifications this capacity can be increased.

Fuel cost [that is the major component in the total cost] is the major area of concern. Power outages and non availability of Gas are adding difficulties to this Sector.

SOAPS

Soaps sales showed excellent growth over last period due to effective marketing mix. However, material costs remained volatile [and uncertain] during the period particularly international prices of tallow and palm oil attained the unprecedented hike. Moreover, energy costs [rates and costly in-house power generation due to power outages] were the major areas of concern during the year.

Sales & Marketing of Soap is being handled by Global Econo Trade (Private) Limited (GET). Despite of stringent conditions [due to fragile economy] your Modaraba is able to capitalize the all possible opportunities through GET's strong distribution network.

DIVIDEND

The Board is pleased to announce final cash dividend @ 6.94 % i.e. Re. 0.694 per Certificate of Rs. 10/- each.

APPROPRIATIONS

	Rs. in '000
Profit for the Year	123,228
Un-appropriated loss brought forward	(47,457)
Available for Appropriation	75,771
Transferred to Statutory Reserves – 50% of the profit for the year	61,614
Profit distribution for the year – 90% of the [profit less reserves]	55,520
Un-appropriated loss carried forward	(41,363)

FUTURE OUTLOOK

Pakistan's place in the Global Competiveness Index is 118 out of 142 countries. The GCI ranks Pakistan in the first stage of factor driven development which carries higher weightage of basic requirements, an area in which Pakistan continues to be consistently poor. Amongst the indicators of basic requirements, macroeconomic indicators stand out as the most worrisome. Although the score has improved considerably compared to the previous year, the performance is far from satisfactory. The indicators like health, education and infrastructure are either deteriorated or shown no improvement. The hollow show perfectly coincides with the factors that are termed the most problematic for doing business in Pakistan. Political instability, bureaucratic red-tape and inadequate supply of infrastructure are on top of the list of problems.

However, Pakistan's market size is a massive plus for the country with a population of 180 million people. This mammoth number presents tremendous potential and scope for market development and expansion. Pakistan is brimming with potential but sadly that has long been the case without much effort in the direction to effectively tap this potential.

Pakistan's economy is currently facing three broad challenges in the shape of persistence of inflation at a high level, falling private investment and low growth. At the same time, severe energy shortages and dismal law and order conditions have rendered the domestic economic environment least conducive for productive activities.

But the management of your Modaraba is well aware of the posed challenges and is deploying most feasible marketing mix at trade and retail levels and is taking all possible measures to meet these challenges.

Your Modaraba is continually reviewing its business strategy to cope with the threats and has been incessantly endeavoring not only to tap alternative inexpensive sources of raw material/inputs but also trying to optimize the throughput. We continue our sustained efforts to improve the margins through process of continuous improvement and enhancement. Revenue avenues are being further explored through market development based on core competencies and product development.

CORRUGATED PACKAGING

As mentioned earlier, growth in overall growth is not encouraging due to various reasons. Moreover, the falling productivity due to severe energy shortages and deteriorating law and order conditions together with unanticipated and sporadic adjustments in the administered prices [that are also adding inertia to inflation] do not portray healthy picture. Industrial growth is pivotal to the growth of your Modaraba since the demand of Corrugation is derived demand stemming from industrial [and to some extent agriculture] growth. However, sustained efforts are being made to increase the sale volumes and margins.

PAPER & BOARD

Per-capita consumption of paper and board in Pakistan is still at very low levels. In the long run, paper and board industry in Pakistan is likely to flourish but in the medium term, Pakistan's economy is experiencing fiscal difficulties and if not addressed in time they do have a tendency to spillover to other sectors and disrupt real economic activities further. In the short run, pulp prices, which rose rapidly due to some supply problems and strong Asian demand, are expected to decelerate but to stay on high levels; electricity shortage, fuel costs etc. are the major area of concerns.

SOAP

Tallow Prices [along with Palm Oil Prices] are expected to calm down in the coming financial year that would have positive impact on the margins. Moreover, alternate sources for energy are being sought. Moreover, improvement plan in the manufacturing process has been chalked out and will be implemented this year.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- The financial statements, prepared by the management of Modaraba, fairly present its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Modaraba have been maintained.
- Appropriate accounting policies are consistently applied by your Modaraba in the preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of these financial statements and any departure there from, if any, has been adequately disclosed.
- The system of Internal Control, being implemented in your Modaraba is sound and has been effectively persisted throughout the year.
- Keeping in view the financial position of your Modaraba, we do not have any significant doubt upon its continuance as a going concern.
- There 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.

MEETINGS OF THE BOARD OF DIRECTORS

During the year the Board of Directors of Modaraba Company has met 07 times and the attendance at each of these meetings is as follows:-

	No. of Meetings attended
• Syed Shahid Ali	07
• Muhammad Shafique Anjum	07
• Shahid Zia	07
• Syed Sheharyar Ali	07

AUDIT COMMITTEE

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

1. Mr. Shafique Anjum	Chairman
2. Syed Shahid Ali	Member
3. Shahid Zia	Member

ELECTION OF DIRECTORS

The tenure of present directors [of Modaraba Company] was ended on September 30, 2011 and accordingly election was held on September 30, 2011 to elect four directors of the Company for next term of three years commencing from October 01, 2011. The retiring directors being eligible filed their intentions to contest the election and following persons were elected directors [subject to the approval of the Registrar Modaraba] for next term of three years:-

1. Syed Shahid Ali
2. Syed Sheharyar Ali
3. Mr. Muhammad Shafique Anjum
4. Mr. Shahid Zia

INTERNAL AUDIT

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

AUDITORS

The Audit Committee of your Modaraba Company has recommended that, the present auditors, Messers Hyder Bhimji & Co., Chartered Accountants due to retire and being eligible, are offering themselves for reappointment, may be appointed as auditors of your Modaraba Company for another term. Subject to approval by the Registrar of Modaraba Companies and Modarabas, their appointment has been confirmed by the Board.

PATTERN OF CERTIFICATE-HOLDING

The pattern of certificate-holding of your Modaraba as on June 30, 2011 is annexed with this report. This statement is in accordance with the amendments made through the Code.

HR & ADMINISTRATION

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

ACKNOWLEDGEMENT

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

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

For and on behalf of the Board



Syed Shahid Ali
Chief Executive Officer

LAHORE:
October 06, 2011

Statement of Compliance With Best Practices of the Code of Corporate Governance for the year ended June 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulations of the Lahore Stock Exchange (Guarantee) Limited the purpose of establishing framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Modaraba has applied the principles contained in the Code in the following manner:

1. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
2. All the directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
3. The Modaraba has prepared a Statement of Ethics and Business Practices, which has been signed by all directors of the Modaraba.
4. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Modaraba along with the dates on which they were approved or amended has been maintained.
5. All the powers of the Board have been duly exercised and decisions on material transactions have been taken on the Board. The terms of appointment and remuneration package of the CEO and directors are not approved by the Board as they are nominees of Treet Corporation Limited (holding Company of the Modaraba Company).
6. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working paper were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
7. The directors are fully aware of the relevant laws applicable to the Modaraba, its policies and procedures and provisions of the Prospectus to manage the affairs of the Modaraba on behalf of the certificate holders.
8. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
9. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board.
10. The Directors, CEO and Executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of holding of certificates.
11. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
12. The meetings of the audit committee are held at least once every quarter prior to approval of interim and final results of the Modaraba as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

13. The Board has set-up an effective internal audit function.
14. The statutory auditors of the Modaraba had confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all of its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
15. The statutory auditors or the person 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.
16. We confirm that all other material principles contained in the Code have been substantially complied with.

For and on behalf of the Board of Directors



Syed Shahid Ali
Chief Executive Officer

LAHORE:
October 06, 2011

Review Report to the Certificate Holders on Statement of Compliance with Best Practices of the Code Of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Global Econo Trade (Private) Limited (the Modaraba Management Company) in respect of First Treet Manufacturing Modaraba (the Modaraba) to comply with the Listing Regulations of the Lahore Stock Exchange, where the Modaraba is listed.


The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba Management 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 Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, sub-regulations (xiii a) of the Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Modaraba to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken 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 Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2011.

LAHORE:
October 06, 2011


HYDER BHIMJI & CO.
Chartered Accountants
(Shabir Ahmad, FCA)

Auditors' Report to the Certificate-Holders

We have audited the annexed balance sheet of **First Treet Manufacturing Modaraba** as at June 30, 2011 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 (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of First Treet Manufacturing Modaraba as required by Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981
- (b) in our opinion:-
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied except for the changes as described in note 2.2 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2011 and of the profit, total 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 Modaraba and deposited in the central Zakat fund established under section 7 of that Ordinance.



HYDER BHIMJI & CO.
Chartered Accountants
(Shabir Ahmad, FCA)

LAHORE:
October 06, 2011

Balance Sheet

as at June 30, 2011

	Note	2011 (Rupees in thousand)	2010
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	341,557	323,704
Long term deposits	5	11,492	11,914
		353,049	335,618
CURRENT ASSETS			
Stores and spares	6	57,155	39,422
Stock in trade	7	386,669	182,444
Trade debts	8	262,662	238,858
Advances, deposits, prepayments and other receivables	9	240,094	78,294
Tax refunds due from the Government	10	70,251	34,749
Cash and bank balances	11	58,762	38,627
		1,075,593	612,394
TOTAL ASSETS		1,428,642	948,012
EQUITY AND LIABILITIES			
CERTIFICATE CAPITAL			
Authorized			
100,000,000 (2010: 100,000,000) Modaraba certificates of Rs. 10 each			
		1,000,000	1,000,000
Issued, subscribed and paid up	12	800,000	500,000
Statutory reserve	13	85,872	24,258
Accumulated loss		(7,683)	(47,457)
Certificate-holders' equity		878,189	476,801
NON CURRENT LIABILITIES			
Due to Modaraba Company	14	457,111	206,690
CURRENT LIABILITIES			
Short term finance	15	-	200,000
Trade and other payables	16	93,342	64,521
		93,342	264,521
CONTINGENCIES AND COMMITMENTS	17	-	-
TOTAL EQUITY AND LIABILITIES		1,428,642	948,012

The annexed notes 1 to 31 form an integral part of these financial statements.

LAHORE:
October 06, 2011



Syed Shahid Ali
Chief Executive Officer



Muhammad Shafique Anjum
Director

Profit and Loss Account

for the year ended June 30, 2011

	Note	2011 (Rupees in thousand)	2010
Net sales	18	1,790,217	1,476,843
Cost of goods sold	19	(1,604,545)	(1,357,842)
Gross profit		185,672	119,001
Operating expenses			
Administrative	20	9,285	9,864
Selling and distribution	21	51,606	34,858
		60,891	44,722
Operating Profit		124,781	74,279
Other operating income	22	6,383	7,841
Finance cost	23	(7,936)	(33,604)
Profit for the year		123,228	48,516
Earning per Modaraba certificate- Basic and diluted	29	1.70	0.96

The annexed notes 1 to 31 form an integral part of these financial statements.

LAHORE:
October 06, 2011



Syed Shahid Ali
Chief Executive Officer



Muhammad Shafique Anjum
Director

Statement of Comprehensive Income

for the year ended June 30, 2011


	2011	2010
	(Rupees in thousand)	
Profit for the year	123,228	48,516
Other comprehensive income	-	-
Total comprehensive income	123,228	48,516

The annexed notes 1 to 31 form an integral part of these financial statements.

LAHORE:
October 06, 2011



Syed Shahid Ali
Chief Executive Officer



Muhammad Shafique Anjum
Director


Cash Flow Statement


for the year ended June 30, 2011

	Note	2011 (Rupees in thousand)	2010
Cash flow from operating activities			
Profit before taxation		123,228	48,516
Adjustment for non-cash and other items:			
Depreciation		26,144	17,172
Finance cost		7,936	33,604
		34,080	50,776
Operating profit before working capital changes		157,308	99,292
(Increase) / decrease in operating assets:			
Stores and spares		(17,734)	(25,027)
Stock in trade		(204,225)	42,395
Trade debts		(23,803)	(105,377)
Advances, deposits, prepayments and other receivables		(161,800)	2,978
Tax refunds due from the Government		(35,502)	(24,704)
Long term deposits		422	(14,934)
		(442,642)	(124,669)
Increase in operating liabilities:			
Trade and other payables		28,821	37,023
Cash (outflow) / inflow after working capital changes		(256,513)	11,646
Finance cost paid		(7,936)	(33,604)
Net cash outflow from operating activities		(264,449)	(21,958)
Cash flow from investing activities			
Purchase of property, plant and equipment		(21,430)	(9,212)
Capital work in progress		(22,566)	(101,668)
Net cash outflow from investing activities		(43,996)	(110,880)
Cash flow from financing activities			
Profit distributed		(21,840)	-
Issue of certificate capital		300,000	-
Change in short term finance		(200,000)	(100,000)
Change in balance due to Modaraba Company		250,420	206,690
Net cash inflow from financing activities		328,580	106,690
Net increase / (decrease) in cash and cash equivalents		20,135	(26,148)
Cash and cash equivalents at beginning of the year		38,627	64,775
Cash and cash equivalents at end of the year	11	58,762	38,627

The annexed notes 1 to 31 form an integral part of these financial statements.

LAHORE:
October 06, 2011


Syed Shahid Ali
Chief Executive Officer


Muhammad Shafique Anjum
Director

Statement of Changes in Equity

for the year ended June 30, 2011

	Certificate Capital	Statutory Reserve	Accumulated Loss	Total
(Rupees in thousand)				
Balance as at June 30, 2009	500,000	-	(71,715)	428,285
Total comprehensive income for the year	-	-	48,516	48,516
Transfer to statutory reserve @ 50%	-	24,258	(24,258)	-
Balance as at June 30, 2010	500,000	24,258	(47,457)	476,801
Profit distribution for the year 2010 @ 90% of profit	-	-	(21,840)	(21,840)
Certificate capital issued	300,000	-	-	300,000
Total comprehensive income for the year	-	-	123,228	123,228
Transfer to statutory reserve @ 50%	-	61,614	(61,614)	-
Balance as at June 30, 2011	800,000	85,872	(7,683)	878,189

The annexed notes 1 to 31 form an integral part of these financial statements.

LAHORE:
October 06, 2011



Syed Shahid Ali
Chief Executive Officer



Muhammad Shafique Anjum
Director

Notes to the Financial Statements

for the year ended June 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

First Treet Manufacturing Modaraba “the Modaraba” is a multi purpose, perpetual and multi dimensional Modaraba formed on July 27, 2005 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed there-under and is managed by Global Econo Trade (Private) Limited (a wholly owned subsidiary of Treet Corporation Limited), incorporated in Pakistan under the Companies Ordinance, 1984 and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at 72 - B, Kot Lakhpat, Industrial Area, Lahore. The Modaraba is listed on Lahore Stock Exchange (Guarantee) Limited. The Modaraba is engaged in the manufacture and sale of Corrugated Boxes, Paper and Soap.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 and made applicable to Modaraba under Modaraba (Floatation and Control) Ordinance, 1980, the provisions or the directives issued under the Companies Ordinance, 1984 or Modaraba (Floatation and Control) Ordinance, 1980. In case requirements differ, the provisions or the directives of the Companies Ordinance, 1984 or Modaraba (Floatation and Control) Ordinance, 1980 shall prevail.

2.2 Standards, Interpretations and amendments to published approved accounting standards adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

New and amended standards and interpretations

The Modaraba has adopted the following new and amended IFRS and IFRIC interpretation which become effective during the year:

IFRS-2	Share based Payment-Group Cash settled Share based Payment Arrangements
IAS-32	Financial Instruments: Presentation - Classification of Rights Issue (Amendment)
IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

IFRS-5	Non-Current Assets Held for Sales and Discontinued Operations
IFRS-8	Operating Segments
IAS-1	Presentation of Financial Statements
IAS-7	Statement of Cash Flows Presentation of Financial Statements
IAS-17	Leases
IAS-36	Impairments of Assets
IAS-39	Financial Instruments: Recognition and Measurement

Issued in May 2010

IFRS-3 Business Combinations
IAS-27 Consolidated and Separate Financial Statements

The adoption of the above standards, amendments/improvements and interpretations did not have any effect on the financial statements.

The Modaraba has not early adopted any standard, interpretation or amendments that has been issued but is not yet effective.

2.3 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective and have not been early adopted

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned against the respective standard or interpretation:

Standard or Interpretation	Effective date (periods beginning on or after)
IAS-1 Presentation of Financial Statements-Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS-7 Financial Instruments: Disclosures-Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
IAS-12 Income Tax (Amendment)-Deferred Taxes: Recovery of underlying assets	January 01, 2012
IAS - 19 Employee Benefits-Amended Standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS - 24 Related Party Disclosures (Revised)	January 01, 2011
IAS-27 Consolidated and Separate Financial Statement	January 01, 2013
IAS-28 Investment in Associates: Investment in Associates and Joint Venture	January 01, 2013
IFRIC-14 IAS-19 :Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The modaraba expects that the adoption of the above standards and interpretations will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 1, 2011. These include changes in terminology and accounting requirements. The modaraba expects that such improvements to the standards will not have any material impact on the modaraba's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

IFRS-9	Financial Instruments	January 01, 2015
IFRS-10	Consolidated Financial Statements	January 01, 2013
IFRS-11	Joint Arrangements	January 01, 2013
IFRS-12	Disclosure of Interest in Other Entities	January 01, 2013
IFRS-13	Fair Value Measurement	January 01, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention. In these financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that effect the application of policies and reported amount of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

The estimates and underline assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions effect only that period, or in the period of revision and future periods if revisions effect both current and future periods.

Significant areas requiring the use of the management estimates in these financial statements relate to the useful life of the depreciable assets and provision for doubtful receivables. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3.2 Taxation

Current

Under the current tax law, the income of non-trading Modaraba is exempt from income tax provided it distributes 90% of its profit as cash dividend to the certificate holders out of current year's total profit after appropriating statutory reserves under section 37 of the Modaraba Companies and Modaraba (floatation and control) Ordinance, 1980.

Where such profit is not distributed, provision for tax is made on taxable income at the current tax rates applicable to Modaraba after taking into account the available tax exemptions and tax credits, if any.

Deferred

The Modaraba accounts for deferred taxation on all material temporary differences using the liability method. However, deferred tax liability has not been recognised in these financial statements as the management believes that the future income of Modaraba will not be taxable in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of 90 % of distributable profit.

3.3 Staff retirement benefits

Complete HR function is outsourced to associated undertaking TCL Labor-Hire Company (Private) Limited, which is labor hire company specialized in providing workforce to host companies under service agreement and took all responsibilities of the staff retirement benefits of the workforce.

3.4 Trade and other payables

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

3.5 Property, plant and equipment

Operating assets

- a) Operating fixed assets are stated at cost less accumulated depreciation and impairment loss, if any except for land which is stated at cost. Cost in relation to the assets comprises acquisition and other directly attributable costs.
- b) Depreciation on operating fixed assets is charged to profit on straight line method so as to write off the historical cost of an asset over its estimated useful life at the annual rates mentioned in note - 4 to the financial statements. The depreciation is charged on property, plant and equipment from the day that an asset is available for use till the day the asset is retired from active use or is transferred to a disposal group.
- c) Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the company. Routine repair and maintenance is charged to income as and when incur.
- d) Gains and losses on disposal of fixed assets are credited or charged to income in the year of disposal.

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.

3.6 Stores and spares

These are valued at lower of moving average cost and net realizable value except for items in transit, which are valued at invoice price and related expenses incurred upto the balance sheet date. The net realizable value is the estimated selling price in the ordinary course of business less estimated cost to complete and cost necessary to make the sale.

3.7 Stock in trade

These have been valued on the basis of lower of cost and net realisable value, the cost is determined as under:

	BASIS
Raw material and chemicals	
Purchases	Moving average cost
In transit	At actual cost.
Goods in process	At production cost.
Finished goods	
Own production	Production cost
In transit	At actual cost.

Production cost consists of prime cost and proportionate production overheads. While net realizable value means the selling prices in the ordinary course of business less estimated cost of completion and incidental selling expenses.

3.8 Trade and other receivables

These are carried at amounts recognized at the time of transaction less an estimate of doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified, while debts considered doubtful of recovery, if any, are fully provided for in these financial statements.

3.9 Impairment

The carrying amounts of the Modaraba's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment loss is recognized in the profit and loss account. 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 the initial cost of the asset. A reversal of the impairment loss is recognized as income in the profit and loss account.

3.10 Financial instruments

Recognition and measurement

The financial assets and liabilities are recognized at cost when the Modaraba becomes a party to the contractual provisions of the instrument and de-recognized when the Modaraba loses control of the contractual rights that comprise the financial asset and in case of financial liability

when the obligation specified in the contract is discharged, cancelled or expired. Financial instruments includes trade debts, advances, deposits, cash and bank balances, trade and other payables, demand finance and due to Modaraba company. Any gain or loss on subsequent re-measurement to fair value of financial assets and financial liabilities is taken to profit and loss account on occurrence.

Offsetting of financial assets and financial liabilities

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

3.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash equivalents are short term highly liquid instruments that are readily convertible to known amounts of cash which are subject to insignificant changes.

3.12 Provisions

Provisions are recognized when the Modaraba 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. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

3.13 Borrowing costs

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

3.14 Foreign currency transactions

Foreign currency transactions during the year are translated into Pak Rupees at the exchange rates prevailing on the date of transaction.

Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rate of exchange ruling on the terminal date. Exchange gains and losses are included in the income currently.

3.15 Segment reporting

Segment reporting is based on the operating (business) segments of the Modaraba. An operating segment is a component of the Modaraba that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Modaraba's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

The business segments are engaged in providing products which are subject to risks and rewards which differ from the risks and rewards of other segments. Segments reported are Packaging solutions, Paper and board mill and Soap, which also reflects the management structure of the Modaraba.

3.16 Profit distribution

Profit distribution is recognized in the period in which it is legally declared and distributed.

3.17 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the company to do so.

3.18 Revenue recognition

- (i) Income from sale of goods is recognized when significant risk and rewards are transferred to the customers i.e. on dispatch of goods to customers.
- (ii) Return on bank deposits and investments is accounted for on accrual basis, using the applicable rate of return.

	Note	2011 (Rupees in thousand)	2010
4. PROPERTY, PLANT AND EQUIPMENTS			
Operating fixed assets - Tangible	4.1	307,875	312,589
Capital work-in-progress	4.2	33,682	11,115
		341,557	323,704

4.1 Operating fixed assets

2 0 1 1

PARTICULARS	C O S T			D E P R E C I A T I O N			Net book value as at June 30, 2011	RATE %
	As at July 01, 2010	Additions / Transfers	As at June 30, 2011	As at July 01, 2010	For the year	As at June 30, 2011		
Figures in Rs. '000s								
OWNED								
Land - freehold	43,000	-	43,000	-	-	-	43,000	-
Buildings and civil works on freehold land	108,255	-	108,255	10,396	5,413	15,809	92,446	5
Buildings and civil works on leasehold land	-	4,791	4,791	-	-	-	4,791	5
Plant and machinery	205,453	16,524	221,977	34,531	20,553	55,084	166,893	10
Furniture and equipment	315	115	430	10	38	48	382	10
Computer equipment	560	-	560	57	140	197	363	25
	357,583	21,430	379,013	44,994	26,144	71,138	307,875	

2 0 1 0

PARTICULARS	C O S T			D E P R E C I A T I O N			Net book value as at June 30, 2010	RATE %
	As at July 01, 2009	Additions	As at June 30, 2010	As at July 01, 2009	For the year	As at June 30, 2010		
Figures in Rs. '000s								
OWNED								
Land - freehold	25,000	18,000	43,000	-	-	-	43,000	-
Buildings and civil works on freehold land	55,959	52,296	108,255	6,531	3,865	10,396	97,859	5
Buildings and civil works on leasehold land	-	-	-	-	-	-	-	5
Plant and machinery	91,210	114,243	205,453	21,291	13,240	34,531	170,922	10
Furniture and equipment	-	315	315	-	10	10	305	10
Computer equipment	-	560	560	-	57	57	503	25
	172,169	185,414	357,583	27,822	17,172	44,994	312,589	

Note
2011
2010
(Rupees in thousand)

4.2 CAPITAL WORK IN PROGRESS

Civil work	21,452	4,791
Plant and machinery	12,230	6,324
	33,682	11,115

4.3 The depreciation charge for the year has been allocated to Cost of Sales as under:

Packaging Solutions - Corrugated boxes	19.1	12,854	11,954
Paper and Board Mill - Paper	19.2	12,742	5,201
Soap	19.3	548	17
		26,144	17,172

	Note	2011 (Rupees in thousand)	2010
5. LONG TERM DEPOSITS			
- against			
Supply of utilities		11,111	11,101
Rented plant and premises	5.1	343	775
Others		38	38
		11,492	11,914
5.1	This includes various interest free security deposits given to Khatoon Industries Limited (KIL) for the use of its assets by the Modaraba's Soap division for a period of five years which are adjustable against monthly rentals.		
6. STORES AND SPARES			
Stores		36,210	16,453
Spares	6.1	20,945	22,969
		57,155	39,422
6.1	This includes spares in transit amounting to Rs. 1.83 million (2010 : 4.49 million).		
7. STOCK-IN-TRADE			
Raw material and chemicals	7.1 & 7.2	310,804	102,420
Packing material		24,382	24,308
Work-in-process		18,256	28,976
Finished goods		33,227	26,740
		386,669	182,444
7.1	This includes raw material in transit amounting to Rs. 57.01 million (2010: 25.95 million).		
7.2	This includes raw material amounting to Rs. 37.23 million (2010 : Nil) held by third party at the terminal date.		
8. TRADE DEBTS - Unsecured			
Due from Modaraba Company - considered good	8.1	-	24,173
Customers' account			
Considered good		262,662	214,685
Considered doubtful		10,460	-
		273,122	214,685
		273,122	238,858
Less: Provision for doubtful debts		(10,460)	-
		262,662	238,858
8.1	Maximum aggregated amount due from Global Econo Trade (Private) Limited - Modaraba Company, at the end of any month is Rs.348 million (2010 : Rs.52.615 million).		

	Note	2011 (Rupees in thousand)	2010
9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - Considered good			
Advances to suppliers		235,423	61,201
Prepayments		2,491	11,519
Current portion of long term deposits		775	3,060
Other receivables		1,405	2,514
		240,094	78,294
10. TAX REFUNDS DUE FROM THE GOVERNMENT			
Sales tax receivable		30,021	11,936
Income tax refundable		40,230	22,813
		70,251	34,749
11. CASH AND BANK BALANCES			
Cash in hand		15	-
Cash at bank:			
in current accounts		1,981	2,864
in saving accounts	11.1	56,766	35,763
		58,747	38,627
		58,762	38,627

11.1 The balances in saving accounts carry profit ranging between 11.25% to 12.00%. (2010: 10.5% to 11.25%).

12. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

12.1 Issued, subscribed and paid-up certificate capital

2011	2010			
Number of Certificates				
79,999,998	49,999,999	Modaraba certificates of Rs 10 each fully paid up in cash	12.3	800,000
				500,000
79,999,998	49,999,999			800,000
				500,000

12.2 Reconciliation of number of certificates

Number of certificates as at 01 July	49,999,999	49,999,999
Right issue of certificates during the year	29,999,999	-
Number of certificates as at 30 June	79,999,998	49,999,999

12.3 The managing Company i.e. Global Econo Trade (Private) Limited holds 8,012,500 (2010: 7,362,211) certificates and Treet Corporation Limited, holding company of the Modaraba company holds 71,855,897 (2010: 42,540,537) certificates of Rs. 10 each.

	2011	2010
	(Rupees in thousand)	
13. STATUTORY RESERVES		
Statutory reserve	85,872	24,258
<p>This represents profit set aside in compliance with the requirements of Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan, which is not available for distribution.</p>		
14. DUE TO MODARABA COMPANY - Unsecured		
Global Econo Trade (Private) Limited	457,111	206,690
<p>This amount represents finance extended by Modaraba company out of the total approved limit of Rs. 650 million (2010 : Rs.650 million) to meet the initial financial requirements of the Modaraba's projects. It is repayable as and when deemed appropriate by the Modaraba either partially or in full instead of regular periodic installments.</p>		
15. SHORT TERM FINANCE		
Istisna facility	-	200,000
<p>This represents the facility provided by BankIslami Pakistan Limited out of the total approved limit of Rs. 200 million to finance on-going operations of the Modaraba, which was paid off during the year.</p>		
16. TRADE AND OTHER PAYABLES		
Creditors	23,169	32,595
Payable to associated undertakings:		
TCL Labor Hire Company (Private) Limited	-	15,469
	23,169	48,064
Accrued liabilities	66,486	9,580
Advances from customers	1,331	6,419
Income tax deducted at source payable	2,356	458
	93,342	64,521
17. CONTINGENCIES AND COMMITMENTS		
17.1 Commitments in respect of:		
Letters of credit	1,827	4,489

	Note	2011 (Rupees in thousand)	2010
18. SALES - Net			
Packaging Solutions - Corrugated boxes	18.1	1,019,173	979,133
Paper and Board Mill - Paper	18.2	480,122	115,746
Soap	18.3	704,990	504,028
Total sales for reportable segments		2,204,285	1,598,907
Elimination of inter-segment sales		(414,068)	(122,064)
		1,790,217	1,476,843
18.1 Packaging Solutions - Corrugated boxes			
Local Sales			
External customers		1,120,967	1,087,714
Inter-segment		58,562	36,388
Associated undertaking - Treet Corporation Limited		6,976	11,810
		1,186,505	1,135,912
Less - Sales tax		(153,656)	(147,117)
Less - Excise duty		(13,676)	(9,662)
		1,019,173	979,133
18.2 Paper and Board Mill - Paper			
Local Sales			
External customers		147,958	35,069
Inter-segment		355,506	85,676
		503,464	120,745
Less - Sales tax		(21,185)	(4,698)
Less - Excise duty		(2,157)	(301)
		480,122	115,746
18.3 Soap			
Local Sales			
External customers		19,218	53,606
Inter-segment		-	-
Modaraba company - Global Econo Trade (Private) Limited		850,486	567,089
Associated undertaking - Treet Corporation Limited		1,106	1,803
		870,810	622,498
Less - Sales tax		(154,920)	(108,953)
Less - Excise duty		(10,900)	(9,517)
		704,990	504,028

	Note	2011 (Rupees in thousand)	2010
19. COST OF GOODS SOLD			
Packaging Solutions - Corrugated boxes	19.1	938,217	900,617
Paper and Board Mill - Paper	19.2	470,493	119,149
Soap	19.3	609,903	460,140
Total Cost of sales for reportable segments		2,018,613	1,479,906
Elimination of inter-segment purchases		(414,068)	(122,064)
		1,604,545	1,357,842
19.1 Cost of goods sold - Packaging Solutions			
Opening stock		33,515	218,830
Add: Purchases			
Inter-segment		355,506	85,676
Others		543,589	513,195
		899,095	598,871
Less: Closing stock		(142,616)	(33,515)
Raw and packing material consumed		789,994	784,186
Stores and spares consumed		29,945	20,156
Out-sourced manpower cost		59,935	56,977
Fuel and power		38,572	22,381
Repair and maintenance		4,064	2,574
Rent, rates and taxes		83	218
Insurance		1,332	3,891
Traveling and conveyance		1,038	744
Other manufacturing expenses		1,489	1,725
Depreciation		12,854	11,954
		939,306	904,806
Work-in-process			
Add - Opening stock		5,108	1,914
Less - Closing stock		(3,575)	(5,108)
		1,533	(3,194)
		940,839	901,612
Finished goods			
Add - Opening stock		5,090	4,095
Less - Closing stock		(7,712)	(5,090)
		(2,622)	(995)
		938,217	900,617

	Note	2011 (Rupees in thousand)	2010
19.2 Cost of goods sold - Paper and Board Mill			
Opening stock		12,378	-
Add: Purchases			
Inter-segment		51,932	25,499
Others		279,594	55,062
		331,526	80,561
Less: Closing stock		(42,412)	(12,378)
Raw and packing material consumed		301,492	68,183
Stores and spares consumed		16,158	3,286
Out-sourced manpower cost		36,863	19,842
Fuel and power		99,678	23,435
Repair and maintenance		5,152	1,326
Rent, rates and taxes		192	129
Insurance		1,017	-
Other manufacturing expenses		990	644
Depreciation		12,742	5,201
		474,284	122,046
Finished goods			
Add: Opening stock		2,897	-
Less: Closing stock		(6,688)	(2,897)
		(3,791)	(2,897)
		470,493	119,149
19.3 Cost of goods sold - Soap			
Opening stock		80,835	-
Add: Purchases			
Inter-segment		6,629	10,889
Others		489,034	522,257
		495,663	533,146
Less: Closing stock		(55,918)	(80,835)
Raw and packing material consumed		520,580	452,311
Stores and spares consumed		6,094	4,970
Out-sourced manpower cost		19,275	14,826
Fuel and power		38,621	17,599
Repair and maintenance		637	594
Plant rental		7,740	6,900
Insurance		507	137
Fee and subscription		166	27
Other manufacturing expenses		6,624	5,379
Depreciation		548	17
		600,792	502,760
Work in process			
Add - Opening stock		23,868	-
Less - Closing stock		(14,682)	(23,868)
		9,186	(23,868)
		609,978	478,892
Finished goods			
Add - Opening stock		18,752	-
Less - Closing stock		(18,827)	(18,752)
		(75)	(18,752)
		609,903	460,140

	Note	2011 (Rupees in thousand)	2010
20. ADMINISTRATIVE EXPENSES			
Out-sourcing of manpower		5,991	3,890
Legal and professional		2,064	4,663
Auditors' remuneration	20.1	750	530
Postage and telephone		97	132
Vehicle running and maintenance		-	109
Printing and stationery		229	203
Advertisement		-	192
Others		154	145
		9,285	9,864
20.1 Auditors' remuneration			
Audit fee		500	400
Half yearly review		200	100
Out of pocket expenses		50	30
		750	530
21. SELLING AND DISTRIBUTION EXPENSES			
Out-sourcing of manpower		4,870	4,693
Legal and professional charges		32	550
Provision for doubtful debts		10,460	-
Staff training		35	-
Freight and forwarding		34,295	28,154
Rent, rates and taxes		691	568
Printing and stationery		358	10
Postage and telephone		615	297
Traveling and conveyance		92	69
Advertisement		158	517
		51,606	34,858
22 OTHER OPERATING INCOME			
Income from financial assets:			
Profit from bank on saving accounts		4,203	4,745
Income from assets other than financial assets:			
Sale of scrap		2,180	3,096
		6,383	7,841

	2011	2010
	(Rupees in thousand)	
23. FINANCE COST		
Profit on demand finance	6,554	31,665
Bank charges	980	965
Exchange loss on import	402	974
	7,936	33,604

24. MATURITY OF ASSETS AND LIABILITIES

	2011					
	Up to one month	One month to three months	Three months to one year	One year to five years	Five years and above	Total
Rupees in '000s.....					
Financial assets						
Long term deposits	-	-	-	11,111	381	11,492
Trade debts	-	262,662	-	-	-	262,662
Advances, deposits, prepayments and other receivables	-	986	-	-	-	986
Cash and bank balances	58,762	-	-	-	-	58,762
	58,762	263,648	-	11,111	381	333,902
Financial liabilities						
Demand finance	-	-	-	-	-	-
Due to Modaraba Company	-	-	457,111	-	-	457,111
Trade and other payables	92,011	-	-	-	-	92,011
	92,011	-	457,111	-	-	549,122

	2010					
	Up to one month	One month to three months	Three months to one year	One year to five years	Five years and above	Total
Rupees in '000s.....					
Financial assets						
Long term deposits	-	-	-	4,638	10,336	14,974
Trade debts	-	238,858	-	-	-	238,858
Advances, deposits, prepayments and other receivables	-	2,345	-	-	-	2,345
Cash and bank balances	38,627	-	-	-	-	38,627
	38,627	241,203	-	4,638	10,336	294,804
Financial liabilities						
Demand finance	-	-	200,000	-	-	200,000
Due to Modaraba Company	-	-	206,690	-	-	206,690
Trade and other payables	58,102	-	-	-	-	58,102
	58,102	-	406,690	-	-	464,792

25. FINANCIAL RISK MANAGEMENT

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

Credit risk
Liquidity risk
Market risk

This note presents information about the Modaraba's exposure to each of the above risks, the Modaraba's objectives, policies and processes for measuring and managing risk, and the Modaraba's management of capital. Further quantitative disclosures are included throughout these financial statements.

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

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

The Modaraba's Audit Committee oversees how management monitors compliance with the Modaraba's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Modaraba.

(a) Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter party to the financial instrument fails to perform as contracted. Out of the total financial assets of Rs. 333.902 (2010: Rs 294.804) million, the financial assets which are subject to credit risk amounted to Rs. 334.887 (2010: Rs. 294.804) million.

Credit risk related to receivables

The management monitors and limits Modaraba's exposure to credit risk through monitoring of clients' credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2011 (Rupees in thousand)	2010
Financial assets			
Long term loans and deposits	5	11,492	11,914
Trade debts	8	262,662	238,858
Advances, deposits, prepayments and other receivables	9	986	5,405
Cash and bank balances	11	58,762	38,627
		333,902	294,804

The credit quality of Modaraba's bank balances can be assessed with reference to external credit ratings as follows:

Banks	Rating		Rating Agency	2011	2010
	Short term	Long term			
				(Rupees in thousand)	
MCB Bank Limited	A1+	AA+	PACRA	501	1
United Bank Limited	A-1+	AA+	JCR-VIS	1,482	2,757
BankIslami Pakistan Limited	A1	A	PACRA	846	5
Barclays Bank PLC	A-1+	AA -	Standard & Poor's	15,629	9,637
National Bank of Pakistan	A-1+	AAA	JCR-VIS	414	546
Habib Bank Limited	A-1+	AA+	JCR-VIS	354	126
Bank Alfalah Limited	A1+	AA	PACRA	10,010	-
NIB Bank Limited	A1+	AA -	PACRA	2,234	25,555
Faysal Bank Limited	A-1+	AA	JCR-VIS & PACRA	27,277	-
				58,747	38,627

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

	2011	2010
	(Rupees in thousand)	
Geographically all credit exposure is concentrated in Pakistan.		
The maximum exposure to credit risk for trade debts at the reporting date by type of customer was:		
Agriculture	-	72
Auto and allied	-	1,095
Chemical and Pharmaceutical	14,189	20,594
Confectioneries	7,472	8,243
Cotton & Garments	29	-
Distributor - Global Econo Trade (Private) Limited	-	24,173
Food and beverages	58,982	43,766
Home appliances	5,934	807
Paper and board	2,243	32,255
Personal care	364	47
Services	-	3,268
Soap & Detergents	2,282	-
Sports	1,833	751
Textile	118,368	97,381
Miscellaneous	61,426	6,406
	273,122	238,858

(b) Liquidity risk

Liquidity risk is the risk that the Modaraba will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding to an adequate amount of committed obligations of the business. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The maturity profile of the Modaraba's financial liabilities based on the contractual amounts is disclosed in note 24 to the financial statements.

(c) Market risk

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

Exposure to currency risk

The Modaraba has no exposure to foreign currency risk at balance sheet date.

Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. The Modaraba does not have any derivatives (interest rate swaps) hedging instruments.

Capital management

The Modaraba's objective when managing capital is to safeguard the Modaraba's ability to continue as a going concern so that it can continue to provide returns for certificate holders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses. The Modaraba manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. The Modaraba is required under SECP prudential regulations for Modarabas to distribute 90 % of its profits as dividend. In order to maintain or adjust the capital structure, it appropriates the amounts to capital reserves or/and issue new certificates.

Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

26. RELATED PARTY DISCLOSURES**A. Related parties with whom Modaraba had transactions**

Modaraba in the normal course of business carries out transactions with various related parties which comprise of the following:

- i. Modaraba company
Global Econo Trade (Private) Limited
- ii. Associated undertakings
 - o Treet Corporation Limited
 - o TCL-Labor Hire Company (Private) Limited
 - o IGI Insurance Limited
 - o Packages Limited

B. Disclosure of balances and transactions between Modaraba and related parties

Amounts due to and from related parties / associated undertakings are shown under the relevant notes to the financial statements, other significant transactions with related parties are given below:

Name of the party	Nature of transactions	2011	2010
		(Rupees in thousand)	
IGI Insurance Limited	Services received	2,250	703
Packages Limited	Purchases	80,228	107,627
Global Econo Trade (Private) Limited - Modaraba Company	Sales	687,385	460,435
TCL Labor-Hire Company (Private) Limited	Services received	92,313	83,931
Treet Corporation Limited	Sales - Boxes	5,906	10,092
	- Soaps	925	1,541

All the transactions with the related parties are executed in the normal course of business, on an arm's length basis. All other transactions have been carried out on the basis of mutually agreed terms and conditions.

27. PLANT CAPACITY AND PRODUCTION

	Annual rated capacity in M.Tons		Annual production in M.Tons	
	2011	2010	2011	2010
Corrugated boxes and sheets (Note - 27.1)	30,000	30,000	19,187	23,494
Paper and board (Note - 27.2)	15,000	15,000	9,907	3,289
Soap	5,000	5,000	4,800	4,786

27.1 Drop in production for the year is mainly due to change in product mix.

27.2 This plant became operational in the mid of February 2010 due to which only four and a half months' capacity was attained.

28. BUSINESS SEGMENTS

As at 30 June 2011 the Modaraba is engaged into three main business segments.

- (i) Manufacture and sale of Packaging material - Corrugated boxes
- (ii) Manufacture and sale of Paper and board - Paper and;
- (iii) Manufacture and sale of soaps

	Packaging		Paper & board		Soaps		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
-----Rupees in thousand-----								
Sales								
Inter-segment	58,562	36,388	355,506	85,676	-	-	414,068	122,064
Others	1,127,943	1,099,524	147,958	35,069	870,810	622,498	2,146,711	1,757,091
	1,186,505	1,135,912	503,464	120,745	870,810	622,498	2,560,779	1,879,155
Less: Sales tax	153,656	147,117	21,185	4,698	154,920	108,953	329,761	260,768
Excise duty	13,676	9,662	2,157	301	10,900	9,517	26,733	19,480
	167,332	156,779	23,342	4,999	165,820	118,470	356,494	280,248
Net sales	1,019,173	979,133	480,122	115,746	704,990	504,028	2,204,285	1,598,907
Cost of sales (Note - 19)	(938,217)	(900,617)	(470,493)	(119,149)	(609,903)	(460,140)	(2,018,613)	(1,479,906)
Gross profit	80,956	78,516	9,629	(3,403)	95,087	43,888	185,672	119,001
Administrative expenses (Note - 28.5)	(7,615)	(5,480)	(937)	(348)	(733)	(4,036)	(9,285)	(9,864)
Distribution cost (Note - 28.6)	(50,893)	(34,234)	(560)	-	(153)	(624)	(51,606)	(34,858)
Operating profit / segment results	22,448	38,802	8,132	(3,751)	94,201	39,228	124,781	74,279
Finance cost (Note - 23)							(7,936)	(33,604)
Other operating income (Note - 22)							6,383	7,841
Profit for the year							123,228	48,516

28.1 Inter-segment sales have been eliminated from the total.

28.2 Transactions among the business segments are recorded at arm's length prices using admissible valuation methods.

	Packaging		Paper & board		Soaps		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
-----Rupees in thousand-----								
28.3 Segment assets	1,271,263	536,054	14,727	215,584	142,652	196,374	1,428,642	948,012
28.4 Segment liabilities	532,452	448,754	12,273	13,295	5,727	9,162	550,452	471,211
Unallocated liabilities							878,190	476,801
- Certificate holders' equity							1,428,642	948,012

	Packaging		Paper & board		Soaps		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
-----Rupees in thousand-----								
28.5 Administrative expenses								
Out-sourcing of manpower	5,443	3,548	548	342	-	-	5,991	3,890
Legal and professional	1,519	842	62	-	483	3,821	2,064	4,663
Auditors' remuneration	250	330	250	-	250	200	750	530
Postage and telephone	97	132	-	-	-	-	97	132
Vehicle running and maintenance	-	109	-	-	-	-	-	109
Printing and stationery	202	182	27	6	-	15	229	203
Advertisement	-	192	-	-	-	-	-	192
Others	104	145	50	-	-	-	154	145
Total	7,615	5,480	937	348	733	4,036	9,285	9,864
28.6 Distribution cost								
Out-sourcing of manpower	4,870	4,693	-	-	-	-	4,870	4,693
Legal and professional charges	-	550	-	-	32	-	32	550
Provision for doubtful debts	10,460	-	-	-	-	-	10,460	-
Staff training	35	-	-	-	-	-	35	-
Freight and forwarding	34,267	27,807	-	-	28	347	34,295	28,154
Rent, rates and taxes	131	568	560	-	-	-	691	568
Printing and stationery	355	10	-	-	3	-	358	10
Postage and telephone	615	291	-	-	-	6	615	297
Traveling and conveyance	92	69	-	-	-	-	92	69
Advertisement	68	246	-	-	90	271	158	517
	50,893	34,234	560	-	153	624	51,606	34,858

		2011	2010
		(Rupees in thousand)	
29.	EARNING PER MODARABA CERTIFICATE - Basic and Diluted		
	Profit for the year	Rupees in '000s	123,228
	Number of certificates	Numbers in '000s	72,685
	Earning per certificate	Rupees	1.70
			48,516
			50,000
			0.96

There was no dilutive effect on the basic earnings per modaraba certificate.

30. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 06, 2011 by the Board of Directors of Global Econo Trade (Private) Limited (Modaraba company).

31. GENERAL

31.1 Figures of the corresponding period have been re-arranged and regrouped where necessary to facilitate comparison. For the purpose of better presentation, significant reclassification include the following:

<u>From</u>	<u>To</u>	<u>Amount in Rs '000</u>
Balance sheet		
- Long term deposits (Note - 5)	- Current portion of long term deposits (Note - 9)	3,060

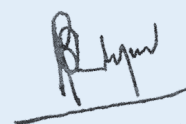
31.2 All the executives, officers and other employees of the Modaraba have been out-sourced from its related party namely Messers TCL Labor-Hire Company (Private) Limited.

31.3 Figures in the financial statements have been rounded off to the nearest thousand rupees.

LAHORE:
October 06, 2011



Syed Shahid Ali
Chief Executive Officer



Muhammad Shafique Anjum
Director

Pattern of Certificate-Holding as at June 30, 2011

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDING		TOTAL NUMBER OF CERTIFICATE HELD
	FROM	TO	
22	1	500	11,000
5	501	1,000	4,800
1	1,001	10,000	5,000
1	15,001	20,000	20,000
1	90,001	100,000	90,801
1	8,000,001	8,500,000	8,012,500
1	71,000,001	72,000,000	71,855,897
32			79,999,998

Categories of Certificate Holders	No. of Certificate Holders	Certificates Held	Percentage %
DIRECTORS			
SYED SHEHARYAR ALI	1	90,801	0.11
INDIVIDUALS	29	40,800	0.05
INVESTMENT COMPANIES	NIL	NIL	-
INSURANCE COMPANIES	NIL	NIL	-
JOINT STOCK COMPANIES	1	71,855,897	89.82
FINANCIAL INSTITUTIONS	NIL	NIL	-
MODARABA COMPANY	1	8,012,500	10.02
OTHERS	NIL	NIL	-
	32	79,999,998	100

CERTIFICATE-HOLDERS HOLDING 10% CERTIFICATES

Sr. No.	Name of Shareholder	Shares
1	TREET CORPORATION LIMITED	71,855,897
2	GLOBAL ECONO TRADE (PRIVATE) LIMITED	8,012,500

Key Operating Financial Data

	Rs.(000)	2011	2010	2009	2008	2007
Sales		1,790,217	1,476,843	695,983	489,112	55,970
Gross Profit		185,672	119,001	13,696	(23,459)	(10,818)
Profit before Taxation		123,228	48,516	(40,507)	(15,618)	(15,590)
Profit after Taxation		123,228	48,516	(40,507)	(15,618)	(15,590)
Certificateholders' Equity		878,189	476,801	428,285	111,649	127,267
Fixed Assets - Net		341,557	323,704	229,996	156,266	168,185
Total Assets		1,428,642	948,012	755,783	535,238	314,177
Total Liabilities		550,453	471,211	327,498	423,589	186,910
Current Assets		1,075,593	612,394	525,747	378,932	145,952
Current Liabilities		93,342	264,521	327,498	39,754	31,027
Dividend Declared		6.94%	2.73%	0.00%	0.00%	0.00%
Certificates Outstanding		79,999,998	49,999,999	49,999,999	14,285,714	14,285,714

IMPORTANT RATIOS

	2011	2010	2009	2008	2007
Profitability					
Gross Profit	10.37%	8.06%	1.97%	(4.80)%	(19.33)%
Profit before Tax	6.88%	3.29%	(5.82)%	(3.19)%	(27.85)%
Profit after Tax	6.88%	3.29%	(5.82)%	(3.19)%	(27.85)%
Return on Equity					
Return on Equity before Tax	14.03%	10.18%	(9.46)%	(13.99)%	(12.25)%
Return on Equity after Tax	14.03%	10.18%	(9.46)%	(13.99)%	(12.25)%
Earning per Certificates	1.54	0.97	(1.39)	(1.09)	(2.34)
Liquidity/Leverage					
Current Ratio	11.52	2.30	1.61	9.53	4.70
Break-up Value per Certificate	10.98	9.54	8.57	7.82	8.91
Total Liabilities to Equity	0.63	0.99	0.76	3.79	1.47
% Change	2011	2010	2009	2008	2007

Sales	21.22%	112.20%	42.30%	773.88%	
Gross Profit	56.03%	768.87%	(158.38)%	116.85%	
Profit before Taxation	153.99%	(219.77)%	159.36%	0.18%	
Profit after Taxation	153.99%	(219.77)%	159.36%	0.18%	
Certificateholders' Equity + Revaluation Surplus	84.18%	11.33%	283.60%	(12.27)%	
Fixed Assets - Net	5.52%	40.74%	47.18%	(7.09)%	
Total Assets	50.70%	25.43%	41.21%	70.36%	
Total Liabilities	16.82%	43.88%	(22.68)%	126.63%	
Current Assets	75.64%	16.48%	38.74%	159.63%	
Current Liabilities	(64.71)%	(19.23)%	723.81%	28.13%	
Dividend	153.85%				
Certificates Outstanding	60.00%	0.00%	250.00%	0.00%	

