



**United Brands  
Limited**

**ANNUAL REPORT 2010**

## Contents

Corporate Information .....	01
Mission Statement and Vision Statement .....	02
Notice of The Annual General Meeting .....	03
Directors' Report .....	05
Corporate and Financial Reporting Frameworks .....	06
Six Years' Financial Summary .....	08
Statement of Compliance with the Code of Corporate Governance .....	09
Review Report to the Members on statement of Compliance with the Best Practices of Code of Corporate Governance .....	11
Auditors' Report to the Members .....	12
Balance Sheet .....	14
Profit and Loss Account .....	15
Statement of Comprehensive Income .....	16
Cash Flow Statement .....	17
Statement of Changes in Equity .....	18
Notes to the Financial Statements .....	19
Pattern of Shareholding .....	27
Proxy Form .....	28

## **CORPORATE INFORMATION BOARD OF DIRECTORS**

- |    |                    |                            |
|----|--------------------|----------------------------|
| 1. | Mr. Azhar Aqil     | Chairman & Chief Executive |
| 2. | Mr. Asad Abdulla   | Director                   |
| 3. | Mr. Ayaz Abdulla   | Director                   |
| 4. | Mr. Noor Alam      | Director                   |
| 5. | Mr. Zubair Palwala | Director                   |
| 6. | Syed Nadeem Ahmed  | Director                   |
| 7. | Mr. Faisal Abdulla | Director                   |

## **AUDIT COMMITTEE**

- |    |                    |          |
|----|--------------------|----------|
| 1. | Mr. Azhar Aqil     | Chairman |
| 2. | Mr. Asad Abdulla   | Director |
| 3. | Mr. Zubair Palwala | Director |

## **CHIEF FINANCIAL OFFICER & COMPANY SECRETARY**

Mr. Khalid Ali Moghal

## **AUDITORS**

Baker Tilly Mehmood Idress Qamar

## **CHIEF INTERNAL AUDITOR**

Mr. Ubaid Ullah Khand

## **LEGAL ADVISORS**

Raja Qasit Nawaz Khan

## **BANKERS**

Meezan Bank Limited

Standard Chartered Bank (Pakistan) Limited

Habib Bank Limited

## **REGISTERED OFFICE**

1st Floor, NIC Building, Abbasi Shaheed Road, Karachi. 7530

Tel: 5675111 - 7, 5683944-6 Fax : 5682772

## **REGISTRAR**

Gangjees Registrar Services (Private) Limited

516, 5th Floor, Clifton Centre, Khayaban-e-Roomi, Block-5, Clifton, Karachi.

## **MISSION STATEMENT**

We will strive to be the best and serve as a standard by which other distribution companies are measured.

We will empower our employees to be responsible and accountable for the continuous growth and success of our Company, Principals, Customers and Shareholders and to be a responsible corporate citizen.

## **VISION STATEMENT**

United Brands Limited is committed to being a profitable, customer-driven and socially responsible, to be a leader and set benchmarks for others.

### **To realize our vision we will:**

Listen to our customers, and exceed their expectations, capitalize on the strength and leadership skills of all our employees and management, we will be socially responsible and provide return to shareholders.

**Dated: October 05, 2010**  
**Place: Karachi**

**AZHAR AQIL**  
**Chief Executive**

## **Notice of the Annual General Meeting**

Notice is hereby given that 46<sup>th</sup> Annual General Meeting of United Brands Limited will be held on Wednesday, October 27, 2010 at 12 noon at 9<sup>th</sup> floor, NIC Building, Abbasi Shaheed Road, Karachi, to transact the following business:

### **Agenda**

1. To confirm the minutes of the last Annual General Meeting of the Company.
2. To receive, consider and adopt the audited financial statements together with the Directors' and Auditors' Report for the year ended June 30, 2010.
3. To appoint auditors for the next financial year ending June 30, 2011 and fix their remuneration. The present Auditors, Messrs. Baker Tilly Mehmood Idrees Qamar, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
4. To transact any other business, with permission of the Chair.

Karachi :            October 6, 2010

**KHALID ALI MOGHAL**  
Company Secretary

### **Notes:**

- (i) The share transfer book of the Company will remain closed from October 20, 2010 to October 27, 2010 (both days inclusive). Transfers (if any) should be received at the office of our registrars Messrs. Gangjees Registrar Services (Pvt) Limited, Room No. 516, 5th Floor, Clifton Center, Khayaban-e-Roomi, Block-5, Clifton, Karachi – 75600, latest by the close of business on October 19, 2010.
- (ii) A Member entitled to attend and vote at the General Meeting of Members is entitled to appoint a proxy to attend and vote on his / her behalf. A proxy need not be a Member of the Company.
- (iii) The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A form of proxy is enclosed. Shareholders are requested to notify any change of address immediately.
- (iv) CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company (Original CNIC / Passport is required to be produced at the time of the meeting).
- (v) In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.

- (vi) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (vii) The proxy shall produce his / her original CNIC or original passport at the time of meeting.
- (viii) Members who have not yet submitted photocopy of their Computerized National Identity Cards to the Company, are requested to send the same at the earliest.

## **DIRECTORS' REPORT**

The Directors are pleased to present the Annual Report with the audited financial statements of the Company for the year ended June 30, 2010.

### **OPERATING RESULTS**

Keeping in line with past practice Company has achieved growth of 23% in sales as compared to last year.

There is a significant increase in Gross Profit by 49% from Rs. 58 million to Rs. 87 million. Further, as percentage of sales gross profit has increased to 12% from 10% of last year.

In comparison with last year distribution costs have increased by 4.5%, however, when compared with sales it has decreased to 7.3% from 8.6% of last year.

In contrast administrative expenses have decreased by 48.5% mainly because of receivables against stock written of Rs.10 million last year. Even if the above write off is ignored, there is a decrease of Rs. 1 million or 7 % as compared to last year.

As a percentage of sales the Administration expenses have decreased from 2.2 % (ignoring the receivable against stock of Rs. 10 million of last year) to 1.7%. Profit before financial charges for the year is Rs. 22 million as compared to loss of Rs. 15 million last year.

The terms of a business line were renegotiated with a principle as result of which invoice discounting facility was availed in last year June, due to which financial charges have increased in current year.

Although the Company has earned profit in current year but due to the fact that the company is carrying accumulated losses the Board has decided not to make any appropriations.

The above results are clear evidence of managements' efforts and commitment towards efficient ordering of imported stocks, controlling and managing expenses and thereby improving overall results of your Company.

Management remains committed to take proactive measures to respond to current economic challenges and to maintain sales growth over the next period to achieve objectives of the Company.

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Management remains committed to take proactive measures to respond to current economic challenges and to maintain sales growth over the next period to achieve objectives of the Company.



There are no doubts upon the Company's ability to continue as a going concern.

There has been no material departure from the best practices of corporate governance, as detailed on the listing regulations.

The summary of key operating and financial data of the Company of last year is annexed in this report.

Information about taxes and levies is given in the notes to the financial statements.

The Board held four meetings during the year. Attendance by each director was as follows:

	<b>Attended</b>
Mr. Azhar Aqil	04
Mr. Asad Abdulla	04
Miss Mahek Malik	01
Mr. Shuja Malik	01
Mr. Ayaz Abdulla	04
Mr. Zubair Palwala	04
Syed Nadeem Ahmed	04
Mr. Noor Alam	02
Mr. Faisal Abdulla	04

Leave of absence was granted to directors who could not attend some of the Board meetings.

## **PATTERN OF SHAREHOLDINGS**

A statement showing pattern of shareholding of the Company and additional information as at June 30, 2010 is included in the report.

## **ACKNOWLEDGEMENTS**

We take pleasure by thanking members of the management, other employees and staff for their loyalty and commitment to the success of the Company. We greatly value the support and cooperation if our customers, suppliers, bankers and all stakeholders and wish to record our thanks and gratitude.

On behalf of Board of Director

Karachi: October 05, 2010

**AZHAR AQIL**  
**CHIEF EXECUTIVE**

APPENDIX TO DIRECTORS' REPORT

SIX YEAR'S FINANCIAL SUMMARY

Operational Results:

	2010	2009	2008	2007	2006	2005
<b>Sales</b>	711,461	580,268	441,952	321,517	118,270	-
<b>Gross Profit</b>	87,163	58,439	46,381	43,681	14,216	-
<b>Operating Profit / (Loss)</b>	22,527	(15,339)	7,413	7,762	5,007	(151)
<b>Financial Charges</b>	11,852	1,528	1,377	1,568	492	12
<b>Profit / (Loss) before Taxation</b>	10,674	(16,867)	6,036	6,210	4,515	(163)
<b>Profit / (Loss) after Taxation</b>	1,409	(16,867)	1,804	2,315	2,935	(163)
<b>Proposed Dividend</b>	-	-	1,200	1,200	1,200	-

Balance Sheet:

	2010	2009	2008	2007	2006	2005
<b>Shareholders' Equity</b>	(10,955)	(12,364)	5,702	5,098	3,932	1,047
<b>Non-Current Liabilities</b>	72,098	73,585	56,159	40,980	16,484	-
<b>Current Liabilities</b>	138,441	106,684	93,529	78,798	42,393	216
<b>Fixed Assets</b>	4,871	5,629	6,927	11,212	1,917	-
<b>Non-Current Assets</b>	119	339	613	366	292	-
<b>Current Assets</b>	194,592	161,935	147,850	113,298	60,651	1,263

Financial Ratios:

	2010	2009	2008	2007	2006	2005
<b>Profit / (Loss) before Tax Ratio</b>	1.50%	(2.90%)	1.36%	2.41%	3.82%	-
<b>Proposed Dividend</b>	-	-	10%	10%	10%	-
<b>Return on Assets</b>	0.72%	(10%)	1.16%	1.85%	4.67%	(12.9%)
<b>Return on Equity</b>	-	-	31.64%	45.41%	73.68%	(1.36%)
<b>Earnings / (Loss) per Share</b>	1.17	(14.06)	1.5	1.93	2.45	0.01
<b>Market value per Share</b>	33	61	45.07	28.9	19.05	3.05
<b>Book Value per Share</b>	(9.12)	(10.3)	6.28	4.25	3.28	0.87
<b>Debt / Equity Ratio</b>	-	-	-	-	-	-
<b>Current Ratio</b>	1.4	1.51	1.58	1.7	0.7	0.17

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement of compliance is being presented to comply with the Code of Corporate Governance contained is listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent Executive Directors and Directors representing minority interests on its Board of Directors.
2. Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.
3. All the Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The casual vacancy occurred during the year in the Board was filled by the Directors within thirty days, if any.
5. The Company has prepared a “Statement of Ethics and Business Practices”, which has been signed by all the Directors and employees of the Company.
6. The Board has developed a vision and mission statement, overall corporate strategy, business conduct principles and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of Employment of the Executives.
8. In the absence of the Chairman, the meetings of the Board were presided over by a Director elected by the Board for this purpose. The Board met atleast once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated atleast seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and aware of their duties and responsibilities.
10. The Chief Financial officer (CFO) was appointed prior to implementation of the Code of Corporate Governance. The Board has approved the appointments of Head of Internal Audit and Company Secretary. Future

appointments, if any, on these positions including remuneration, terms and conditions, as determined by the CEO, will be referred to the Board for Approval.

11. 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.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee, which comprises of three members, who are Non-Executive Directors.
16. The meetings of the Audit Committee were held atleast once in every quarter prior to approval of interim and final results of the Company and as required by the Code, the terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has set up an efficient internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme 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 shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with as stated above.

Dated: October 05, 2010  
Place: Karachi

**AZHAR AQIL**  
Chief Executive



**BAKER TILLY  
MEHMOOD IDREES  
QAMAR**

103-104, Amber Estate Building  
Shahrah-e-Faisal  
Karachi  
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**REVIEW REPORT TO THE MEMBERS ON  
STATEMENT OF COMPLIANCE WITH BEST PRACTICES  
OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **UNITED BRANDS LIMITED** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

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

As part of our audit of 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 system 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.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company of the year ended June 30, 2010.

*Baqer Idris Mehmood Idrees Qamar*

Engagement Partner: Mehmood. A. Razzak

*Karachi*

*Date* October 05, 2010.



**BAKER TILLY**  
**MEHMOOD IDREES**  
**QAMAR**

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Shahrah-e-Faisal  
Karachi  
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+92 (021) 453 5712-3  
Fax: +92 (021) 454 6291

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **UNITED BRANDS LIMITED** as at June 30, 2010 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, (*here-in-after 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;



**BAKER TILLY**  
**MEHMOOD IDREES**  
**QAMAR**

- 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 accounts, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standard as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010, and of the profit, its cash flow and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

*Baqer Idray Mehmood Idrees Qamar*

**Engagement Partner: Mehmood. A. Razzak**

*Karachi*

*Date:* October 05, 2010.

## Balance Sheet As At June 30, 2010

	Note	June 2010 (Rupees)	June 2009 (Rupees)
<b>CAPITAL AND RESERVES</b>			
Authorized capital			
3,000,000 ordinary shares of Rs. 10/- each		30,000,000	30,000,000
<b>Issued , subscribed and paid-up-capital</b>			
1,200,000 ordinary shares of Rs. 10/- each fully paid in cash	5	12,000,000	12,000,000
Accumulated (loss)		(22,955,778)	(24,364,665)
Shareholders equity		<b>(10,955,778)</b>	<b>(12,364,665)</b>
<b>NON CURRENT LIABILITIES</b>			
Due to related parties	6	71,039,930	70,049,806
Staff retirement benefits	7	1,058,487	3,287,084
Liabilities against assets subject to finance lease	8	-	248,191
		<b>72,098,417</b>	<b>73,585,081</b>
<b>CURRENT LIABILITIES</b>			
Current maturity of liabilities against assets subject to finance lease	8	249,922	1,382,096
Trade and other payables	9	34,504,118	23,565,543
Provision for taxation		4,265,526	6,744,419
Domestic Supplier Finance	10	99,422,263	74,992,416
		<b>138,441,829</b>	<b>106,684,474</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL</b>		<b>199,584,468</b>	<b>167,904,890</b>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	11	4,871,805	5,629,819
Intangible assets	11.2	119,996	339,705
<b>CURRENT ASSETS</b>			
Stock in trade		84,101,412	76,503,760
Trade debts unsecured- considered good	12	45,251,725	26,093,303
Loan and advances	13	785,587	180,272
Trade deposits and prepayments	14	415,669	2,223,618
Other receivables	15	32,281,576	36,734,644
Cash and bank balances	16	31,756,698	20,199,769
		<b>194,592,667</b>	<b>161,935,366</b>
<b>TOTAL</b>		<b>199,584,468</b>	<b>167,904,890</b>

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

AZHAR AQIL

Cheif Executive Officer

ZUBAIR PALWALA

Director



**Profit And Loss Account  
For The Year Ended June 30, 2010**

		June 2010 (Rupees)	June 2009 (Rupees)
Sales	17	828,830,243	673,688,550
Sales Tax		(117,369,172)	(93,419,792)
		<u>711,461,071</u>	<u>580,268,758</u>
Cost of goods Sold	18	(624,298,156)	(521,829,120)
Gross Profit		<b>87,162,915</b>	<b>58,439,638</b>
Distribution Cost	19	(52,077,524)	(49,817,348)
Administrative Expenses	20	(12,340,349)	(23,961,492)
Other Charges - Worker's welfare fund		(217,845)	-
Operating Profit / (Loss)		<b>22,527,197</b>	<b>(15,339,202)</b>
Financial Charges	21	(11,852,784)	(1,528,079)
Profit / (Loss) before taxation		<b>10,674,413</b>	<b>(16,867,281)</b>
- Current		(4,265,526)	-
- Prior		(5,000,000)	-
		<u>(9,265,526)</u>	<u>-</u>
Profit / (Loss) after taxation		<b>1,408,887</b>	<b>(16,867,281)</b>
Earnings / (Loss) per share	23	<u>1.17</u>	<u>(14.06)</u>

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

AZHAR AQIL

Cheif Executive Officer

ZUBAIR PALWALA

Director

**Statement of Comprehensive Income  
For The Year Ended June 30, 2010**

	<b>Note</b>	<b>June 2010 (Rupees)</b>	<b>June 2009 (Rupees)</b>
Profit / (Loss) after taxation		1,408,887	(16,867,281)
Other Comprehensive Income		-	-
Total Comprehensive Income / (Loss)		<u><u>1,408,887</u></u>	<u><u>(16,867,281)</u></u>

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

AZHAR AQIL

Chief Executive Officer

ZUBAIR PALWALA

Director

## Cash Flow Statement For The Year Ended June 30, 2010

	June 2010 (Rupees)	June 2009 (Rupees)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	10,674,413	(16,867,281)
<b>Adjustment for non cash items</b>		
Depreciation	1,037,168	1,297,572
Amortization	219,709	273,549
Provision for gratuity	472,369	668,542
Financial charges	11,852,784	1,528,079
Provision for doubtful claims	2,838,434	-
	<u>16,420,464</u>	<u>3,767,742</u>
<b>Profit / (Loss) before changes in working capital</b>	<b>27,094,877</b>	<b>(13,099,539)</b>
<b>Working Capital Changes</b>		
<b>(Increase) / Decrease in current assets</b>		
Stock in trade	(7,597,652)	(4,128,999)
Trade debts	(19,158,422)	(3,088,271)
Loans and advances	(605,315)	614,250
Trade deposits and prepayments	1,807,949	(658,863)
Other receivables	(9,640,641)	4,409,663
	<u>(35,194,081)</u>	<u>(2,852,220)</u>
<b>Increase / (Decrease) in current liabilities</b>		
Trade and other payables	10,938,575	(58,444,303)
Domestic supplier finance	24,429,847	74,992,416
	<u>35,368,422</u>	<u>16,548,113</u>
Net cash from operating activities	27,269,218	596,354
Financial charges paid	(11,401,067)	(3,415,302)
Income tax paid	(940,861)	(3,854,761)
Gratuity paid	(2,700,966)	(171,427)
Dividend paid	-	(1,422,679)
<b>Net cash from / (used) in operating activities</b>	<b>12,226,324</b>	<b>(8,267,815)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(279,154)	-
<b>Net cash (used) in investing activities</b>	<b>(279,154)</b>	<b>-</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Liabilities against assets subject to finance lease	(1,380,365)	(1,394,573)
Due to related parties	990,124	20,821,337
Staff retirement benefits payable	-	(2,354,925)
	<u>(390,241)</u>	<u>17,071,839</u>
Net Increase in cash and cash equivalents	<b>11,556,929</b>	<b>8,804,024</b>
Cash and bank balance at the beginning of the year	20,199,769	11,395,745
<b>Cash and bank balance at the end of the year</b>	<b>31,756,698</b>	<b>20,199,769</b>

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

AZHAR AQIL

Cheif Executive Officer

ZUBAIR PALWALA

Director