

*Half Yearly Report*  
(Unaudited)

*December*

2013

**Ismail Industries Limited**

*CandyLand*

**Bisconni**

**SNACKCITY**



# Ismail Industries Limited

## COMPANY INFORMATION

### Board of Directors

Mr. Muhammad M. Ismail	Chairman
Mr. Maqsood Ismail	Chief Executive
Mr. Miftah Ismail	Executive Director
Mr. Munsarim Saif	Executive Director
Ms. Rashida Iqbal	Non-Executive Director
Ms. Anisa Naviwala	Non-Executive Director
Ms. Nafisa Yousuf Palla	Non-Executive Director
Ms. Uzma Arif	Non-Executive Director
Mr. Jawed Abdullah	Independent Director

### Audit Committee Members

Mr. Jawed Abdullah	Chairman
Mr. Muhammad M. Ismail	Member
Ms. Rashida Iqbal	Member
Ms. Nafisa Yousuf Palla	Member

### Human Resource Committee

Ms. Uzma Arif	Chairperson
Mr. Jawed Abdullah	Member
Mr. Maqsood Ismail	Member
Ms. Anisa Naviwala	Member

### Registered Office

17, Bangalore Town,  
Main Shahra-e-Faisal, Karachi

### Factory - 1

C-230, Hub H.I.T.E.,  
Balochistan.

### Factory - 2

B-140, Hub H.I.T.E.,  
Balochistan.

### Factory - 3

G-1, Hub H.I.T.E.,  
Balochistan.

### Factory - 4

G-22, Hub H.I.T.E.,  
Balochistan.

### Factory - 5

38-C, Sundar Industrial Estate  
Raiwind Road, Lahore.

### CFO & Company Secretary

Mr. Ghulam Farooq

### Auditor

Anjum Asim Shahid Rahman.  
Chartered Accountants

### Tax Advisor

Munaf Yusuf & Co.  
Chartered Accountants

### Legal Advisor

Farooq Rasheed & Co.

### Share Registrar

THK Associates (Pvt.) Limited

### Intellectual Property Advisor

Ali Associates

### Bankers / Institutions

Al Baraka Bank (Pakistan) Limited  
Allied Bank Limited  
Bank Al-Habib Limited  
Barclays Bank PLC, Pakistan  
Bank Islami Pakistan Limited  
Bank Alfalah Limited  
Burj Bank Limited  
Dubai Islamic Bank (Pakistan) Limited  
Faysal Bank Limited  
First Habib Bank Modaraba  
First Habib Modaraba  
First UDL Modaraba  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
Meezan Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Pak Brunei Investment Co Ltd  
Pak Oman Investment Co. Ltd  
Samba Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
Standard Chartered Modaraba  
Silkbank Limited  
The Bank of Punjab  
United Bank Limited

# Ismail Industries Limited

## DIRECTORS REVIEW

The Directors of Ismail Industries Limited are pleased to present you the reviewed financial statements of the Company for the second quarter and the six month period ended December 31, 2013. The financial performance for the six month period under review is summarized below:

### Business Review

	Half year ended		%
	Dec 2013	Dec 2012	
	(Rupees '000)		
Sales-gross	5,801,003	5,605,220	3.49%
Gross profit	997,515	983,066	1.47%
Profit before taxation	245,232	171,522	42.97%
Profit after taxation	149,627	110,050	35.96%
Earnings per share	2.96	2.18	35.78%

The Company has delivered a healthy growth in profit after taxation during the first half of the current financial year under review. Profit after tax for the period is Rs. 149.6 million as compared to profit after tax of Rs. 110.05 million in the corresponding period. Earnings per share showed an increase of 35.78% to Rs. 2.96 as compared to Rs. 2.18 in the corresponding period.

Efficiency in sales as well as production showed improvement due to decisions taken by the management, introduction of new products, prudent management of funds, and cost control and reduction. Though, the period under review was challenging for the country with volatile social, economic and business conditions. Despite all these circumstances, the overall performance of both food and plastic film division was satisfactory.

### Future Outlook

Productivity and efficiency, being our first priority, we have further invested to enhance them so it enables us for future business sustainability. We plan to achieve this by optimizing our operations, achieve operational excellence, expand the product base, and control our costs. By focusing on the sales plan, we plan to stay as aggressive, if not more, to achieve the optimum growth through our current and new products to take full advantage of economies of scale.

### Acknowledgement

We would like to add our sincere appreciation for the valuable contributions by our customers, suppliers, bankers as well as the other stakeholders who have made these results possible. We look forward to their continued support in the future as well.

On behalf of the Board of Directors

(Maqsood Ismail)  
Chief Executive

Karachi: February 26, 2014



# Ismail Industries Limited

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## INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Ismail Industries Limited (the Company) as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and selected explanatory notes to the condensed interim financial information for the six-month period ended (herein after referred to as the "condensed interim financial information"). Management of the Company is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with the approved accounting standards applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six-month period ended December 31, 2013 is not prepared in all material respects, in accordance with approved accounting standards as applicable in Pakistan for the condensed interim financial reporting.

### Other matter

The figures for the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2013 and December 31, 2012 have not been reviewed, as we are required to review only cumulative figures for the six-month period ended December 31, 2013.

Karachi

Date: February 26, 2014.

Anjum Asim Shahid Rahman  
Chartered Accountants  
Shahzada Saleem Chughtai

# Ismail Industries Limited

## CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2013

	Note	Un-audited December 31, 2013 Rupees	Audited June 30, 2012 Rupees Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	3,511,953,074	2,919,481,009
Long-term investments	6	1,222,860,482	1,239,701,221
Long-term deposits		41,634,303	27,466,543
Total non-current assets		4,776,447,859	4,186,648,773
<b>Current assets</b>			
Stores and spares	7	79,992,956	65,992,659
Stock-in-trade	8	4,888,040,388	4,667,565,495
Trade debts	9	676,611,547	477,260,242
Advances - considered good		47,829,967	70,757,731
Trade deposits and short-term prepayments		23,015,422	7,287,399
Other receivables		35,661,567	41,824,541
Taxation - net		190,185,513	116,775,997
Cash and bank balances	10	53,020,079	29,397,123
Total current assets		5,994,357,439	5,476,861,187
Total assets		10,770,805,298	9,663,509,960
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Authorised share capital			
100,000,000 (June 30, 2013: 100,000,000) ordinary share of Rs. 10 each		1,000,000,000	1,000,000,000
<b>Issued, subscribed and paid-up capital</b>			
50,520,750 (June 30, 2013: 50,520,750) ordinary shares of Rs.10 each full paid in cash		505,207,500	505,207,500
Capital reserve		579,265,000	579,265,000
Unappropriated profit		1,815,470,414	1,705,388,949
Total shareholders' equity		2,899,942,914	2,789,861,449
<b>Non-current liabilities</b>			
Directors' loan - subordinated		352,151,770	352,151,770
Long-term finances - secured	11	1,043,858,543	1,204,524,924
Liabilities against assets subject to finance lease		176,767,329	69,183,032
Deferred liabilities		586,510,156	533,744,837
Total non-current liabilities		2,159,287,798	2,159,604,563
<b>Current liabilities</b>			
Trade and other payables	12	603,145,626	535,953,378
Accrued mark-up		87,702,139	112,235,557
Short-term finance - secured	13	4,429,341,875	3,559,194,391
Current portion of:			
- long-term finances - secured	11	507,265,766	443,528,159
- liabilities against assets subject to finance lease		39,419,533	39,348,736
Advance from customers		44,699,647	23,783,727
Total current liabilities		5,711,574,586	4,714,043,948
Total liabilities		7,870,862,384	6,873,648,511
Contingencies and commitments	14		
Total equity and liabilities		10,770,805,298	9,663,509,960

The annexed selected notes from 1 to 20 form an integral part of this condensed interim financial information.

Maqsood Ismail  
Chief Executive

Munsarim Saif  
Director

# Ismail Industries Limited

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE SIX-MONTHS PERIOD ENDED DECEMBER 31, 2013

	Note	Six-month period ended		Quarter ended	
		December 31, 2013 Rupees	December 31, 2012 Rupees	December 31, 2013 Rupees	December 31, 2012 Rupees
Sales		5,801,002,567	5,605,219,863	3,246,513,127	3,063,483,071
Sales tax		(801,188,521)	(663,304,691)	(461,669,508)	(363,460,159)
Net sales		4,999,814,046	4,941,915,172	2,784,843,619	2,700,022,912
Cost of sales		(4,002,299,015)	(3,958,849,056)	(2,201,347,620)	(2,165,209,727)
Gross profit		997,515,031	983,066,116	583,495,999	534,813,185
Selling and distribution expenses		(440,000,741)	(494,535,783)	(268,328,508)	(254,007,554)
Administrative expenses		(52,048,215)	(47,987,633)	(28,294,392)	(24,900,037)
		(492,048,956)	(542,523,416)	(296,622,900)	(278,907,591)
Operating profit		505,466,075	440,542,700	286,873,099	255,905,594
Other operating expenses		(27,084,091)	(13,490,895)	(23,325,379)	(9,973,622)
		478,381,984	427,051,805	263,547,720	245,931,972
Other operating income		36,678,237	33,425,904	32,513,495	17,584,928
		515,060,221	460,477,709	296,061,215	263,516,900
- Finance cost		(291,661,730)	(317,504,933)	(129,180,275)	(151,143,162)
		223,398,491	142,972,776	166,880,940	112,373,738
Share of profit from associate		21,833,063	28,549,074	-	-
Profit before income tax		245,231,554	171,521,850	166,880,940	112,373,738
Income tax expense		(95,604,160)	(61,471,767)	(74,564,031)	(48,936,990)
Profit for the period		149,627,394	110,050,083	92,316,909	63,436,748
Earnings per share - basic					
and diluted	15	2.96	2.18	1.83	1.26

The annexed selected notes from 1 to 20 form an integral part of this condensed interim financial information.

Maqsood Ismail  
Chief Executive

Munsarim Saif  
Director

# Ismail Industries Limited

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013

	Note	Six-month period ended		Quarter ended	
		December 31, 2013 Rupees	December 31, 2012 Rupees	December 31, 2013 Rupees	December 31, 2012 Rupees
Profit for the period		149,627,394	110,050,083	92,316,909	63,436,748
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit liability	3.1	-	(5,363,350)	-	-
Impact of deferred tax	3.1	-	1,877,173	-	-
		-	(3,486,177)	-	-
Share of other comprehensive income from associated undertaking		(42,970,891)	22,583,278	-	-
Impact of deferred tax		4,297,089	(2,258,328)	-	-
	6.3	(38,673,802)	20,324,950	-	-
Total items that will not be reclassified to profit and loss account		(38,673,802)	16,838,773	-	-
Total comprehensive income for the period		110,953,592	126,888,856	92,316,909	63,436,748

The annexed selected notes from 1 to 20 form an integral part of this condensed interim financial information.

Maqsood Ismail  
Chief Executive

Munsarim Saif  
Director

# Ismail Industries Limited

## CONDENSED STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013

	Note	December 31, 2013 Rupees	December 31, 2012 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations after working capital changes	16	1,585,434,793	489,008,495
Gratuity paid		(3,064,391)	(2,004,685)
Taxes paid		(123,794,378)	(40,184,170)
Payment of long-term deposits		(14,167,760)	(553,785)
<b>Net cash generated from operating activities</b>		<b>1,444,408,264</b>	<b>446,265,855</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(709,845,343)	(195,309,226)
Proceeds from disposal of property, plant and equipment		2,693,110	9,311,329
<b>Net cash used in investing activities</b>		<b>(707,152,234)</b>	<b>(185,997,897)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease obtained / (rentals paid)		107,655,094	(29,600,111)
Dividends paid		(437,737)	(560,914)
Long-term finance less repayments		(96,928,774)	(47,205,500)
Financial charges paid		(316,195,148)	(313,408,224)
<b>Net cash used in financing activities</b>		<b>(305,906,565)</b>	<b>(390,774,749)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>431,349,465</b>	<b>(130,506,791)</b>
Cash and cash equivalents at the beginning of the period		(1,303,018,041)	(1,502,537,342)
<b>Cash and cash equivalents at the end of the period</b>	17	<b>(871,668,575)</b>	<b>(1,633,044,133)</b>

The annexed selected notes from 1 to 20 form an integral part of this condensed interim financial information.

Maqsood Ismail  
Chief Executive

Munsarim Saif  
Director



# Ismail Industries Limited

## STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013

	Note	Issued, subscribed and paid up capital	Capital Reserve Share Premium	Unappropriated profit	Share holders's equity
		Rupees .....			
Balance as at July 01, 2012 - as previously stated		505,207,500	579,265,000	1,324,989,579	2,409,462,079
Effect of change in accounting policy - net of tax	3.1	-	-	(2,648,478)	(2,648,478)
Balance as at July 1, 2012 - as restated		505,207,500	579,265,000	1,322,341,101	2,406,813,601
Total comprehensive income for the six-month period ended December 31, 2012		-	-	126,888,856	126,888,856
Transactions with owners					
Cash dividend paid for the year ended June 30, 2012 @ Rs. 2 per share		-	-	(790,646)	(790,646)
		-	-	126,098,210	126,098,210
Balance as at December 31, 2012 - restated		505,207,500	579,265,000	1,448,439,311	2,532,911,811
Balance as at July 01, 2013 - as previously stated		505,207,500	579,265,000	1,715,009,782	2,799,482,282
Effect of change in accounting policy - net of tax	3.1	-	-	(9,620,833)	(9,620,833)
Balance as at July 01, 2013 - as restated		505,207,500	579,265,000	1,705,388,949	2,789,861,449
Total comprehensive income for the six-month period ended December 31, 2013		-	-	110,953,592	110,953,592
Transactions with owners					
Cash dividend paid for the year ended June 30, 2013 @ Rs. 2.25 per share		-	-	(872,127)	(872,127)
		-	-	110,081,465	110,081,465
Balance as at December 31, 2013		505,207,500	579,265,000	1,815,470,414	2,899,942,914

The annexed selected notes from 1 to 20 form an integral part of this condensed interim financial information.

Maqsood Ismail  
Chief Executive

Munsarim Saif  
Director

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013

### 1 LEGAL STATUS AND OPERATIONS

Ismail Industries Limited (the Company) was incorporated in Karachi, Pakistan as a private limited company on June 21, 1988. On November 01, 1989 the Company was converted to a public limited company and its shares were quoted on the Karachi and Lahore stock exchanges. The registered office of the Company is situated at 17 - Banglore Town, Shahrah-e-Faisal, Karachi, Pakistan. Principal activities of the Company are manufacturing and trading of sugar confectionery items, biscuits, potato chips and cast polypropylene film under the brands of 'CandyLand', 'Bisconni', 'Snackcity' and 'Astrofilms' respectively.

### 2 STATEMENT OF COMPLIANCE

This condensed interim financial information of the Company for the six month period ended December 31, 2013 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information is presented in Pakistani Rupees which is also Company's functional currency and all financial information presented has been rounded off to the nearest rupee except otherwise stated.

This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2013.

This condensed interim financial information is un-audited and is being submitted to the shareholders as required by Listing Regulations of Karachi and Lahore stock exchanges and under Section 245 of the Companies Ordinance, 1984. The figures for the six-month period ended December 31, 2013 have, however, been subjected to limited scope review by the auditors as required by the Listing Regulations of Karachi and Lahore stock exchanges and under section 245 of the Companies Ordinance, 1984.

### 3 SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2013 except for the change in accounting policy for staff retirement benefits - gratuity (unfunded) maintained for employees as described in note 3.1 below.

#### 3.1 Change in accounting policy for employee benefits - defined benefit plan

IAS - 19 (revised) "Employee benefits" amends the accounting treatment for employment benefits which became effective to the Company from July 01, 2013. The changes introduced by the IAS - 19 (revised) are as follows:

- (a) The amendment requires past service cost to be recognised immediately in profit or loss, however, the Company has no past service cost and therefore, there is no impact of past service cost on this condensed interim financial information;
- (b) The amendment replaces the interest cost on the defined benefit obligation and the expected return on plan assets with the interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year;

# Ismail Industries Limited

- (c) There is a new term "remeasurement of net defined benefit liability (asset)" that comprise:
- actuarial gains and losses;
  - the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
  - any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).
- (d) The amendment requires an entity to recognise remeasurement immediately in other comprehensive income. Actuarial gains or losses beyond corridor limits were previously amortised over the expected future services of the employees.

The management believes that the effects of these changes have no significant effect on this condensed interim financial information except for the changes referred to in (d) above. These changes have been accounted for retrospectively in accordance with the International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors", resulting in restatement of financial statements of prior periods.

As a result of the above mentioned changes, the cumulative balance of Rs. 4,074,581 for unrecognised actuarial losses that existed as at 1 July 2012 have been presented and disclosed as part of the statement of changes in equity, while the corresponding period adjustment through other comprehensive income is restated and disclosed as part of the Statement of Comprehensive Income. The Balance Sheet also presents the prior year numbers as restated, due to the said change.

The Company has not presented third statement of financial position (i.e. as at the beginning of the preceding period in comparative financial statements) as the retrospective application has no material effect on the information in the statement of financial position at the beginning of the preceding period.

The effect of the change in accounting policy has been demonstrated below:

	June 30, 2013 Rupees	July 01, 2012 Rupees
<b>Effect on balance sheet</b>		
<i>Unappropriated profit / accumulated (losses)</i>		
As previously reported	1,715,009,782	1,324,989,579
Effect of change in accounting policy - net of tax	(9,620,833)	(2,648,478)
As restated	<u>1,705,388,949</u>	<u>1,322,341,101</u>
<i>Provision for staff gratuity scheme - unfunded</i>		
As previously reported	32,167,183	29,999,018
Effect of change in accounting policy	14,801,281	4,074,581
As restated	<u>46,968,464</u>	<u>34,073,599</u>
<i>Deferred tax liability</i>		
As previously reported	491,956,821	365,888,743
Effect of change in accounting policy	(5,180,448)	(1,426,102)
As restated	<u>486,776,373</u>	<u>364,462,641</u>
<b>Effect on other comprehensive income</b>		
Remeasurement of defined benefit liability recognised in other comprehensive income (decrease)	(5,363,350)	(4,074,581)
Impact of deferred tax	1,877,173	1,426,102
	<u>(3,486,177)</u>	<u>(2,648,479)</u>

# Ismail Industries Limited

The effect on profit and loss account in the current period and prior period being immaterial has not been determined and presented. Further, there was no past service cost in the prior periods, therefore, there is no impact of this in this condensed interim financial information. The management is in process of determining the effect of this change, if any, to the amount to be recognised through Comprehensive Income for the full year ending June 30, 2014. In the absence of such full year valuation, the management has not considered any amount as an adjustment for the purposes of this condensed interim financial information for the current period. The amount is not expected to be materially significant for the current period.

## 4 ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates / judgments and associated assumptions used in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the financial statements of the Company for the year ended June 30, 2013.

## 5 PROPERTY, PLANT AND EQUIPMENT

	Note	December 31, 2013 Rupees	June 30, 2013 Rupees
Operating fixed assets	5.1	2,662,430,611	2,668,276,718
Capital work in progress	5.2	849,522,463	251,204,291
		<u>3,511,953,074</u>	<u>2,919,481,009</u>

- 5.1 Details of additions and deletions to operating fixed assets during the six-month period are as follows:

	Additions (at cost)		Deletions (at net book value)	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	Rupees			
<b>Owned assets</b>				
Leasehold land	-	2,231,250	-	-
Building on leasehold land	4,867,604	159,043,102	-	-
Plant and machinery	17,053,522	30,771,465	-	-
Furniture and fittings	1,569,642	1,381,785	-	-
Equipment	1,137,356	6,847,921	-	-
Computers	523,580	195,976	-	-
Vehicles	13,804,180	1,600,000	1,622,940	11,324,346
	<u>38,955,884</u>	<u>202,071,499</u>	<u>1,622,940</u>	<u>11,324,346</u>
<b>Leased assets</b>				
Plant and machinery	84,380,645	-	-	-
Vehicles	7,755,330	1,827,500	-	-
	<u>92,135,975</u>	<u>1,827,500</u>	<u>-</u>	<u>-</u>
	<u>131,091,859</u>	<u>203,898,999</u>	<u>1,622,940</u>	<u>11,324,346</u>



# Ismail Industries Limited

- 5.2 Details of additions in and transfers from capital work-in-progress during the six-month period are as follows:

	Additions (at cost)		Transfers (at net book value)	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	Rupees			
Civil works	111,642,334	13,237,435	4,867,604	159,224,195
Plant and machinery	592,642,055	171,651,389	101,434,167	31,914,157
Electric installation	-	1,298,950	-	-
Equipments and fixtures	3,566,135	5,769,735	3,230,578	7,581,415
	<u>707,850,524</u>	<u>191,957,509</u>	<u>109,532,349</u>	<u>198,719,767</u>

	Note	December 31, 2013 Rupees	June 30, 2013 Rupees
6 LONG-TERM INVESTMENTS			
Investment in associated undertakings			
The Bank of Khyber	6.1	993,136,413	1,009,977,152
Novelty Enterprises (Private) Limited	6.2	229,724,069	229,724,069
		<u>1,222,860,482</u>	<u>1,239,701,221</u>

## 6.1 The Bank of Khyber

The Company holds 8.6% (June 30, 2013: 8.6%) voting and equity interest in the Bank of Khyber (the Bank). In addition to this, the Company also has representation on the Board of Directors of the Bank. The Bank concludes its annual financial results on December 31 as required by State Bank of Pakistan for financial institutions. However, respective amounts in this condensed interim financial information have been taken from reviewed financial statements of the Bank for the quarter period ended September 30, 2013.

The market value of holding in the Bank as on December 31, 2013 was Rs. 646.12 million (June 30, 2013: Rs. 581.46 million). However, fair value based on price earning ratio as on December 31, 2013 was Rs. 922.08 million (June 30, 2013: Rs. 964.456 million) and book value as of December 31, 2013 was Rs. 996.92 million (June 30, 2013: Rs. 1,073.774 million).

## 6.2 Novelty Enterprises (Private) Limited

The Company holds 33% (June 30, 2013: 33%) voting and equity interest in Novelty Enterprises (Private) Limited. The shares of Novelty Enterprises (Private) Limited are not publicly listed on a stock exchange and hence published price quotes are not available. The financial reporting date of Novelty Enterprises (Private) Limited is June 30.

Total equity / net assets of Novelty Enterprises (Private) Limited as at June 30, 2013 amounted to Rs. 561.79 million based on audited financial statements (2012: Rs. 561.82 million).

However, as per report of an independent valuer, Masud Associates report dated August 12, 2011 fair value of fixed assets of Novelty Enterprises (Private) Limited amounted to Rs. 730.48 million resulting in surplus on fixed assets of Rs. 196.767 million. Revised net assets after the revaluation surplus amounted to Rs. 758.43 million (2012: Rs. 758.46 million). Accordingly, the management is of the view that it would be able to recover carrying values of its investment.

Novelty Enterprises (Private) Limited has not commenced operations as of the reporting date and hence share of profit or loss has not been accounted for in this condensed interim financial information.

# Ismail Industries Limited

- 6.3 These investments are accounted for under the equity method. The aggregate amount of the associates recognized in these financial statements are as follows:

	The Bank of Khyber		Novelty Enterprises (Private) Limited	
	December 31, 2013	June 30, 2013	December 31, 2013	June 30, 2013
Carrying value at beginning of the period	1,009,977,152	879,417,548	229,724,069	229,724,069
Share of profit relating to profit and loss account	21,833,063	97,866,881	-	-
Share of (loss)/profit relating to other comprehensive income	(38,673,802)	32,692,723	-	-
Carrying value at end of the period	<u>993,136,413</u>	<u>1,009,977,152</u>	<u>229,724,069</u>	<u>229,724,069</u>

Deferred tax relating to the component of Other Comprehensive Income amounted to Rs. 4,297,089 (June 30, 2013: Rs. 3,632,525).

All transfers of funds to the Company, i.e. distribution of cash dividends, are subject to approval by means of a resolution passed by the shareholders of the associates. The Company has not received any dividend during the period (June 30, 2013: Rs. Nil).

The Company has not incurred any contingent liabilities or other commitments relating to its investments in associates.

	Note	December 31, 2013 Rupees	June 30, 2013 Rupees
<b>7 STORES AND SPARES</b>			
Stores and spare parts - gross		83,019,052	69,735,393
Diesel and liquified petroleum gas		2,507,012	1,526,781
Others		823,312	636,905
Provision for slow moving spare parts	7.1 <sup>a</sup>	(6,356,420)	(5,906,420)
Store and spares - net		<u>79,992,956</u>	<u>65,992,659</u>
<b>7.1 Reconciliation of provision for slow moving spare parts</b>			
Opening provision		(5,906,420)	(5,006,420)
Charge for the period / year		(450,000)	(900,000)
Closing provision		<u>(6,356,420)</u>	<u>(5,906,420)</u>
<b>8 STOCK-IN-TRADE</b>			
Raw materials	8.1	2,874,826,445	2,748,855,278
Packing materials	8.1	480,923,100	461,164,318
Work-in-process		23,534,402	18,970,972
Finished goods	8.1	1,508,756,441	1,438,574,927
		<u>4,888,040,388</u>	<u>4,667,565,495</u>

# Ismail Industries Limited

8.1

	December 31, 2013		
	Raw materials	Packing materials	Finished goods
	Rupees		
Stock-in-trade (gross)	2,889,480,723	602,743,100	1,508,756,441
Provision for obsolescence			
- opening	(13,404,278)	(106,820,000)	-
- (charge) for the year	(1,250,000)	(15,000,000)	-
- closing	(14,654,278)	(121,820,000)	-
Stock-in-trade (net)	2,874,826,445	480,923,100	1,508,756,441

	June 30, 2013		
	Raw materials	Packing materials	Finished goods
	Rupees		
Stock-in-trade (gross)	2,762,259,556	567,984,318	1,438,574,927
Provision for obsolescence			
- opening	(7,766,379)	(74,420,000)	-
- (charge) for the year	(5,637,899)	(32,400,000)	-
- closing	(13,404,278)	(106,820,000)	-
Stock-in-trade (net)	2,748,855,278	461,164,318	1,438,574,927

Note

December 31,  
2013  
Rupees

June 30,  
2013  
Rupees

9

## TRADE DEBTS

Considered good		
- secured (export debtors)	42,040,865	30,882,991
- unsecured	634,570,681	446,377,251
	676,611,546	477,260,242
Considered doubtful	27,234,303	23,314,885
Trade debts - gross	703,845,849	500,575,127
Provision for impairment - opening balance	(23,314,885)	(15,213,824)
Write-off against provision	-	(1,061)
Charge for the year	(3,919,417)	(8,100,000)
Provision for impairment - closing balance	(27,234,302)	(23,314,885)
Trade debts - net	676,611,547	477,260,242

10

## CASH AND BANK BALANCES

Cash in hand	17,026,341	1,115,919
Cash with banks in current accounts	35,993,738	28,281,204
	53,020,079	29,397,123

11

## LONG TERM FINANCES - secured

At beginning of the period / year	1,648,053,083	1,135,765,409
Obtained during the period / year	131,386,000	995,614,000
Repaid during the period / year	(228,314,774)	(483,326,326)
	1,551,124,309	1,648,053,083
Less: Current maturity	(507,265,766)	(443,528,159)
	1,043,858,543	1,204,524,924

# Ismail Industries Limited

- 11.1 These represent term finance facilities obtained for property, plant, and equipment. The above mentioned facilities are secured by way of creation of equitable mortgage and first pari-passu / ranking charge over property, plant and equipment of the Company and personal guarantees of the directors. These facilities carry mark-up at the rate ranging from 1 month KIBOR + 1% to 3 month KIBOR + 1.75% except for the facility from Pak Oman Investment Company Limited which carry mark-up at the SBP LTFF rate + 2%.

	Note	December 31, 2013 Rupees	June 30, 2013 Rupees
12	<b>TRADE AND OTHER PAYABLES</b>		
Trade creditors		400,629,099	377,218,884
Sales tax payable		69,904,767	17,553,345
Other liabilities		132,611,760	141,181,149
		<u>603,145,626</u>	<u>535,953,378</u>

- 12.1 The Federal Government has through Finance Bill 2013-2014, revised sales tax rate from 16% to 17% and has imposed 'Further Tax' at the rate of 1% on supply of goods to unregistered persons. Further, Federal Board of Revenue (FBR) vide SRO 896(i)/2013 dated October 04, 2013 has imposed extra tax at the rate of 2% on 'Biscuits, Confectionary, Chocolates, Toffees and Candies'.

	Note	December 31, 2013 Rupees	June 30, 2013 Rupees
13	<b>SHORT TERM FINANCES - Secured</b>		
Term finances	13.1	3,124,653,221	1,916,779,227
Export refinances	13.2	380,000,000	310,000,000
Running finance utilized under mark-up arrangement	13.3	924,688,654	1,332,415,164
		<u>4,429,341,875</u>	<u>3,559,194,391</u>

- 13.1 The facilities for term finances from various banks aggregated to Rs. 3,500 million (June 30, 2013: Rs. 2,145 million). These facilities are secured against pari-passu/ranking hypothecation of stocks, book debts and personal guarantees of the directors. These facilities carry mark-up at the rates ranging from 9.08% to 11.03% per annum (June 30, 2013: 9.76% to 13.47% per annum).

- 13.2 The facilities for export refinance from various banks aggregated to Rs. 380 million (June 30, 2013: Rs. 310 million). These facilities are secured pari-passu against hypothecation of stocks, lien on export letters of credit and personal guarantees of the directors. These facilities carry mark-up at the rate of 1% (June 30, 2013: 1%) above the State Bank of Pakistan rate per annum.

- 13.3 The facilities for running finances available from various banks aggregated to Rs. 1,975 million (June 30, 2013: Rs. 1,975 million). These facilities are secured against pari-passu/ranking hypothecation of stocks and book debts and personal guarantees of the directors. These facilities carry mark-up at the rates ranging from 9.97% to 11.21% per annum (June 30, 2013: 10.31% to 13.99% per annum).

## 14 CONTINGENCIES AND COMMITMENTS

### 14.1 Contingencies

- 14.1.1 The Company has three labour matters pending in different courts of Balochistan for reinstatement. No liability has been booked against these claims as the management of the Company, based on the advice of its legal advisor, is of the opinion that matters will be decided in favour of the Company.

- 14.1.2 The Company has filed a suit against a debtor for recovery of Rs. 960,450. The suit was decreed in favour of the Company but as the debtor did not have any tangible property within the territorial jurisdiction of the Court at Hub the case was transferred to the District Judge, Lahore for execution. Against the same judgement the debtor filed appeal in Baluchistan High court Quetta, which is pending. Management of the Company is of the opinion that as the case has been decided in favour of the Company in the civil court and based on the advice of its legal advisor, that matters will be decided in favour of the Company in the appeal also, the amount due has not been written off.



# Ismail Industries Limited

- 14.1.3** A suit for Rs. 20 million had been filed in the Court of Senior Civil Judge, Hub, Balochistan against the Company and Lasbella Industrial Estate Development Authority by Usman Industries Limited, for illegal allotment of plot C-386, Hub Industrial Trading Estate (HITE). The case was decided against the Company by the civil court. The Company on an appeal filed in the Balochistan High Court, Quetta obtained an order to set aside the judgement of the Civil Court thereby remanding the case back to the Civil Court for re-hearing on the point of limitation. The Senior Civil Judge heard the case and dismissed the suit filed by Usman Industries Limited against the Company. On dismissal, Usman Industries Limited filed appeal in Balochistan High Court, Quetta. No provision has been made in these financial statements against this aforementioned amount as the management of the Company, based on the advice of its legal counsel, is of the opinion that the case will be decided in favour of the Company.

	Note	December 31, 2013 Rupees	June 30, 2013 Rupees
<b>14.2 Commitments</b>			
Outstanding letter of guarantees		<u>129,387,224</u>	<u>115,842,850</u>
Outstanding letter of credit for:			
- capital expenditures		<u>499,779,517</u>	<u>312,322,846</u>
- others		<u>440,241,526</u>	<u>453,888,334</u>
		December 31, 2013	December 31, 2012

## 15 EARNINGS PER SHARE-Basic and Diluted

Basic earnings per share		
Profit for the period - Rupees	<u>149,627,394</u>	<u>110,050,083</u>
Weighted average number of shares - Numbers	<u>50,520,750</u>	<u>50,520,750</u>
Earnings per share - Rupees	<u>2.96</u>	<u>2.18</u>

### Diluted earning per share

There is no dilution effect on the basic earning per share of the Company as the Company has no such commitments.

	Note	December 31, 2013 Rupees	December 31, 2012 Rupees
<b>16 CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES</b>			
Profit before income tax		245,231,554	171,521,850
<b>Adjustments for non-cash and other items:</b>			
Depreciation		135,315,030	126,980,118
Gain on disposal of property, plant and equipment - net		(1,070,170)	(5,875,879)
Provision for staff retirement gratuity		10,610,432	13,266,403
Share of profit from associated undertaking		(21,833,063)	(28,549,074)
Finance cost		291,661,730	310,581,988
Net increase/(decrease) in working capital	16.1	<u>925,519,280</u>	<u>(98,916,911)</u>
		<u>1,585,434,793</u>	<u>489,008,495</u>

# Ismail Industries Limited

	Note	December 31, 2013 Rupees	December 31, 2012 Rupees
<b>16.1 Working capital changes</b>			
<b>Current assets</b>			
Increase in stores and spares		(14,000,297)	(4,550,655)
(Increase)/Decrease in stock-in-trade		(220,474,893)	27,240,718
Increase in trade debts		(199,351,305)	(75,886,923)
Decrease/(Increase) in advances		22,927,764	(47,878,482)
Increase in trade deposits and short-term prepayments		(15,728,023)	(18,407,708)
Decrease in other receivables		6,162,974	60,440,284
		<u>(420,463,780)</u>	<u>(59,042,766)</u>
<b>Current liabilities</b>			
Increase /(Decrease) in trade and other payables		47,193,146	(126,955,527)
Increase in short-term finances		1,277,873,994	77,986,220
Increase in advance from customers		20,915,920	9,095,162
		<u>1,345,983,060</u>	<u>(39,874,145)</u>
<b>Net increase /(decrease) in working capital</b>		<u><u>925,519,280</u></u>	<u><u>(98,916,911)</u></u>
<b>17 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	10	53,020,079	29,670,546
Running finances under mark-up arrangement	13	(924,688,654)	(1,662,714,679)
		<u><u>(871,668,575)</u></u>	<u><u>(1,633,044,133)</u></u>

# Ismail Industries Limited

## SEGMENT INFORMATION

A segment is a distinguishable component of the Company that is engaged in business activities from which the Company earns revenues and incurs expenses and its results are regularly reviewed by the Company's Chief Operating Decision Maker to make decision about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment.

Based on internal management reporting structure and products produced and sold, the Company is organised into the following two operating segments:

- Food processing
- Plastic film

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

Segment revenue, segment result, cost, assets and liabilities for the period are as follows:

	Quarter ended				Half Year ended				Total	
	Food Processing		Plastic Film		Food Processing		Plastic Film		Food Processing	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	Rupees									
<b>Sales</b>										
Local	2,762,552,789	2,668,500,216	404,633,706	304,040,826	4,892,131,875	4,853,454,162	707,562,362	559,694,237	5,599,694,237	5,410,061,200
Export	152,879,801	204,577,311	(1,298)	2,665,146	322,128,465	14,493,536	-	14,493,536	322,128,465	456,692,255
Export rebates	3,125,663	3,025,342	33,037,919	84,487	5,994,633	47,859	(1,298)	5,993,335	5,993,335	7,834,980
Inter segment sales	-	-	65,111,531	65,111,531	126,929,750	124,353,357	-	124,353,357	126,929,750	124,353,357
<b>Less:</b>										
Sales return and discounts	2,938,358,253	2,876,102,869	437,668,527	372,301,990	5,220,254,973	5,303,010,002	834,490,814	686,931,880	6,054,745,787	5,989,941,862
Sales tax	(74,070,523)	(118,344,132)	(1,805,011)	(1,966,125)	(125,098,459)	(287,730,207)	(1,808,013)	(2,638,455)	(126,833,720)	(260,568,662)
Sales tax	(402,076,337)	(331,252,316)	(59,593,171)	(42,207,843)	(697,038,084)	(587,734,038)	(104,150,437)	(75,570,653)	(801,188,521)	(663,304,691)
Net sales	2,441,611,393	2,436,506,421	376,270,145	329,128,022	4,398,208,430	4,457,545,757	728,535,366	608,722,772	5,126,743,796	5,066,265,529
<b>Cost of sales</b>										
Selling and distribution expenses	(1,905,661,075)	(1,948,921,254)	(328,724,464)	(281,800,004)	(3,492,435,495)	(3,560,735,712)	(636,793,270)	(522,466,702)	(4,129,228,765)	(4,083,202,414)
Administrative expenses	(250,578,147)	(246,598,147)	(9,425,400)	(7,349,407)	(430,200,426)	(480,666,361)	(19,250,315)	(13,860,222)	(440,000,741)	(494,535,783)
Profit before taxation	(704,627,829)	(759,012,980)	(101,879,720)	(96,021,389)	(1,124,027,491)	(1,183,856,215)	(427,508,219)	(597,604,152)	(1,569,229,416)	(1,511,472,668)
Income tax expense	(2,192,157,533)	(2,220,006,266)	(338,299,966)	(289,122,382)	(4,408,369,318)	(4,531,950,511)	(686,446,992)	(531,150,511)	(4,924,277,721)	(4,625,725,820)
Segment result	248,933,860	216,500,135	37,979,239	39,405,440	433,379,700	308,764,439	72,086,375	71,566,301	505,466,075	440,542,700
<b>Unallocated income and expenses</b>										
Other operating income										
Finance costing expenses										
Share of profit/(loss) from associated undertakings										
Profit before taxation										
Income tax expense										
Profit for the period										
<b>Reconciliation of reportable segment sales and cost of sales</b>										
Sales net of sales return and discount										
Total sales for reportable segments										
Add: Sales Tax										
Elimination of inter-segments sales										
Total sales										
Cost of sales										
Total cost of sales for reportable segments										
Elimination of inter-segments purchases										
Total cost of sales										

## Unallocated income and expenses

- Other operating income
- Finance costing expenses
- Share of profit/(loss) from associated undertakings
- Profit before taxation
- Income tax expense
- Profit for the period

## Reconciliation of reportable segment sales and cost of sales

- Sales net of sales return and discount
- Total sales for reportable segments
- Add: Sales Tax
- Elimination of inter-segments sales
- Total sales
- Cost of sales
- Total cost of sales for reportable segments
- Elimination of inter-segments purchases
- Total cost of sales

# Ismail Industries Limited

	Food Segment		Plastic Segment		Total	
	December 31, 2013	June 30, 2013	December 31, 2013	June 30, 2013	December 31, 2013	June 30, 2013
Rupees						
18.3 Segment assets	7,442,356,257	6,584,631,270	2,027,113,315	1,777,793,079	9,469,469,572	8,362,424,349
18.4 Unallocated assets	7,442,356,257	6,584,631,270	2,027,113,315	1,777,793,079	1,301,335,726	1,301,085,611
18.5 Segment liabilities	3,642,843,004	2,888,603,110	1,561,759,517	1,374,731,126	10,770,805,298	9,663,509,960
18.6 Unallocated liabilities	3,642,843,004	2,888,603,110	1,561,759,517	1,374,731,126	5,204,602,521	4,278,135,517
18.7 Inter-segment pricing	-	-	-	-	2,666,259,863	2,595,512,994
	-	-	-	-	7,870,862,384	6,873,648,511

Transactions among the business segments are recorded at estimated cost.

18.8 The Company's export sales have been primarily made to countries in the Middle East, Africa and South Asia. However, no material amount of export sales have been made to any one or more particular countries.

18.9 There were no major customers of the Company which formed 10 percent or more of the Company's revenue.

## 18.10 RECONCILIATION OF REPORTABLE SEGMENT ASSETS AND LIABILITIES

8.11 Assets			
Total assets for reportable segments			
Administrative capital assets	18.3	9,469,469,572	8,362,424,349
Long term investment	6	78,475,244	61,384,390
		1,222,860,482	1,239,701,221
Total assets		10,770,805,298	9,663,509,960
8.12 Liabilities			
Total liabilities for reportable segments			
Directors loan	18.5	5,204,602,521	4,278,135,517
Deferred liabilities		352,151,770	352,151,770
Long term finance		546,796,922	486,776,373
Assets subject to finance lease	11	1,551,124,309	1,648,053,083
		216,186,862	108,531,768
Total liabilities		7,870,862,384	6,873,648,511



# Ismail Industries Limited

## 19 TRANSACTIONS WITH RELATED PARTIES

Details of transactions with related parties during the period, other than those which have been specifically disclosed elsewhere in the condensed interim financial information are as follows:

	Note	December 31, 2013 Rupees	December 31, 2012 Rupees
<b>Transactions</b>			
Rent paid to Chief Executive Officer		735,000	600,000
<b>Plasitflex Films (Private) Limited</b>			
Close family relationship			
- Purchases of packing material		11,821,472	9,962,227
<b>Astro Plastic (Private) Limited</b>			
Common directorship			
- Processing charges		8,021,859	-
<b>Others</b>			
<b>Remuneration to directors and other key management personnel:</b>			
Chief Executive Officer		1,600,000	1,350,000
Directors		4,000,000	3,600,000
Executives		54,977,040	60,063,476
		60,577,040	65,013,476
<b>Balances</b>			
<b>Creditors - associated company</b>			
At beginning of the period / year		-	5,695,189
Purchases during the period / year		19,843,331	24,899,411
Paid during the period / year		(7,759,827)	(30,594,600)
At the end of the period / year		12,083,504	-
<b>Directors' subordinated - loan</b>			
At beginning of the period / year		352,151,770	352,151,770
Received during the period / year		-	-
Repaid during the period / year		-	-
At the end of the period / year		352,151,770	352,151,770

## 20 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 26, 2014 by the Board of the Company.

Maqsood Ismail  
Chief Executive

Munsarim Saif  
Director

# **BOOK POST**

**Under Postal Certificate**

## **ISMAIL INDUSTRIES LIMITED**

### **Head Office**

17-Bangalore Town, Shahrah-e-Faisal, Karachi-75350, Pakistan.  
Tel.: (92-21) 3431 1172-75, Fax: (92-21) 3454 7843, 3454 1094

### **Factories**

Unit 1: C-230, H.I.T.E., Hub, Balochistan, Pakistan.  
Tel.: (92-853) 302526-302393, Fax: (92-853) 302527

Unit 2: B-140, H.I.T.E., Hub, Balochistan, Pakistan.  
Tel.: (92-853) 363602-364234, Fax: (92-853) 363322

Unit 3: G-1, H.I.T.E., Hub, Balochistan, Pakistan.  
Tel.: (92-853) 302326, Fax: (92-853) 302611, 303817

Unit 4: G-22, 23, H.I.T.E., Hub, Balochistan, Pakistan.  
Tel.: (92-853) 303193, 303177, Fax: (92-853) 302284

Unit 5: 38-C, 39, 39-A, 42-C, Sunder Industrial Estate,  
Raiwind Road, Lahore, Pakistan. Tel.: (92-42) 3529 7671-5