

Quarterly Report
March
2014

Ismail Industries Limited

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Ismail Industries Limited

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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
Raivind 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
Askari 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
The Bank of Punjab
United Bank Limited

Ismail Industries Limited

DIRECTORS REVIEW

The Directors of Ismail Industries Limited are pleased to present you the un-audited financial statements of the Company for the third quarter and nine months period ended 31 March, 2014. The overall financial performance of the Company for the period under review is summarized below:

Business Review

	Nine months period ended March 2014	March 2013
	(Rupees '000)	
Sales-gross	9,219,556	8,869,764
Gross profit	1,580,875	1,545,542
Operating profit	788,026	673,268
Profit before tax	414,743	322,855
Profit after tax	292,112	173,666
Earnings per share	5.78	3.44

During the period under review, the fundamentals of your Company remained strong, despite the volatile economic situation and a highly competitive business environment. In these times, we are making all possible efforts for cost effectiveness, both in terms of funds invested on sales and marketing effort, and on resources devoted to operations.

The Company has delivered a healthy growth in profit after tax during the nine months period of the current financial year that is Rs. 292.11 million as compared to the corresponding period of Rs. 173.67 million. Growth continues to result from a firm focus on innovation with a number of promising new brands in food segment. Steady investment remains behind base business to ensure its longevity and continues profitability. Resultantly, the Company has posted a 17.04% growth in operating profit and earnings per share showed an increase of 68.20% to Rs. 5.78 as compared to Rs. 3.44 in the corresponding period.

Future Outlook

The combination of focused strategy, investment on product branding and the appropriate re-investment in the business has built a solid platform for future growth. Emphasis on sales and marketing has also helped to push availability of our range of products in hitherto unexplored smaller markets and towns. Despite the uncertainty of local and global economic conditions, we continue our efforts to consolidate the portfolio innovatively and remain committed to build strong brands which deliver exceptional value to all our stakeholders.

Acknowledgement

We thank our shareholders, valued customers, distributors, bankers and staff for their sustained support and confidence in ensuring the continued viability of the Company.

On behalf of the Board of Directors

(Maqsood Ismail)
Chief Executive

Karachi: April 28, 2014

Ismail Industries Limited

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2014

	Note	Un-audited March 31, 2014 Rupees	Audited June 30, 2013 Rupees (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,685,257,782	2,919,481,009
Long-term investments	6	1,280,457,874	1,238,825,776
Long-term deposits		48,265,747	27,466,543
Total non-current assets		5,013,981,403	4,185,773,328
Current assets			
Stores and spares	7	80,002,342	65,992,659
Stock-in-trade	8	4,878,563,761	4,667,565,495
Trade debts	9	745,177,854	477,260,242
Advances - considered good		55,265,949	70,757,731
Trade deposits and short-term prepayments		18,739,133	7,287,399
Other receivables		41,429,098	41,824,541
Taxation - net		173,286,371	116,775,997
Cash and bank balances	10	50,543,162	29,397,123
Total current assets		6,043,007,670	5,476,861,187
Total assets		11,056,989,073	9,662,634,515
EQUITY AND LIABILITIES			
Shareholders' equity			
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
Issued, subscribed and paid-up capital			
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		1,964,342,670	1,704,513,504
Total shareholders' equity		3,048,815,170	2,788,986,004
Non-current liabilities			
Directors' loan - subordinated		352,151,770	352,151,770
Long-term finances - secured		999,217,597	1,204,524,924
Liabilities against assets subject to finance lease		200,750,745	69,183,032
Deferred liabilities		585,354,970	533,744,837
Total non-current liabilities		2,137,475,082	2,159,604,563
Current liabilities			
Trade and other payables		560,721,927	535,953,378
Accrued mark-up		92,286,614	112,235,557
Short-term finance - secured	11	4,587,590,228	3,559,194,391
Current portion of:			
- long-term finances - secured		516,015,767	443,528,159
- liabilities against assets subject to finance lease		65,353,068	39,348,736
Advance from customers		48,731,217	23,783,727
Total current liabilities		5,870,698,821	4,714,043,948
Total liabilities		8,008,173,903	6,873,648,511
Contingencies and commitments	12		
Total equity and liabilities		11,056,989,073	9,662,634,515

The annexed selected notes from 1 to 18 form an integral part of this condensed interim financial information.

Ismail Industries Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2014

	Note	Nine-month period ended		Quarter ended	
		March 31, 2014 Rupees	March 31, 2013 Rupees	March 31, 2014 Rupees	March 31, 2013 Rupees
Sales		9,219,555,769	8,869,764,409	3,418,553,202	3,264,544,545
Sales tax		(1,299,558,435)	(1,054,947,102)	(498,369,914)	(391,642,412)
Net sales		7,919,997,334	7,814,817,307	2,920,183,288	2,872,902,133
Cost of sales		(6,339,121,883)	(6,269,275,495)	(2,336,822,868)	(2,310,426,436)
Gross profit		1,580,875,451	1,545,541,812	583,360,420	562,475,697
Selling and distribution expenses		(709,444,082)	(798,765,016)	(269,443,341)	(304,229,233)
Administrative expenses		(83,405,051)	(73,508,720)	(31,356,836)	(25,521,089)
		(792,849,133)	(872,273,736)	(300,800,177)	(329,750,322)
Operating profit		788,026,318	673,268,076	282,560,243	232,725,375
Other operating expenses		(33,428,190)	(25,130,441)	(6,344,099)	(11,639,546)
		754,598,128	648,137,635	276,216,144	221,085,829
Other operating income		52,703,310	54,429,367	16,025,073	21,003,463
		807,301,438	702,567,002	292,241,217	242,089,292
Finance cost		(465,601,138)	(459,163,437)	(173,939,408)	(141,658,504)
		341,700,300	243,403,565	118,301,809	100,430,788
Share of profit from associate		73,042,721	79,451,602	51,209,658	50,902,528
Profit before income tax		414,743,021	322,855,167	169,511,467	151,333,316
Taxation		(122,631,105)	(149,188,827)	(27,026,945)	(87,717,060)
Profit for the period		292,111,916	173,666,340	142,484,522	63,616,256
Earnings per share - basic					
and diluted	13	5.78	3.44	2.82	1.26

The annexed selected notes from 1 to 18 form an integral part of this condensed interim financial information.

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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2014

	Note	Nine-month period ended		Quarter ended	
		March 31, 2014 Rupees	March 31, 2013 Rupees (Restated)	March 31, 2014 Rupees	March 31, 2013 Rupees (Restated)
Profit for the period		292,111,916	173,666,340	142,484,522	63,616,256
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit liability	3.1	-	(8,045,025)	-	(2,681,675)
Impact of deferred tax	3.1	-	2,815,759	-	938,586
		-	(5,229,266)	-	(1,743,089)
Share of other comprehensive income from associated undertaking		(34,900,692)	6,525,741	8,070,199	(16,057,537)
Impact of deferred tax		3,490,069	(652,574)	(807,020)	1,605,754
	6.3	(31,410,623)	5,873,167	7,263,179	(14,451,783)
Total items that will not be reclassified to profit and loss account		(31,410,623)	643,901	7,263,179	(16,194,872)
Total comprehensive income for the period		260,701,293	174,310,241	149,747,701	47,421,384

The annexed selected notes from 1 to 18 form an integral part of this condensed interim financial information.

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CONDENSED STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2014

	Note	March 31, 2014 Rupees	March 31, 2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	14	380,983,456	714,101,078
Gratuity paid		(6,017,362)	(4,661,504)
Taxes paid		(136,142,644)	(66,251,802)
Payment of long-term deposits		(20,799,204)	(654,785)
Net cash generated from operating activities		218,024,246	642,532,987
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(991,526,878)	(369,986,046)
Proceeds from disposal of property, plant and equipment		3,393,110	9,331,329
Net cash used in investing activities		(988,133,768)	(360,654,717)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease obtained / (rentals paid)		157,572,045	55,031,706
Dividends paid		(437,737)	(790,646)
Long-term finance less repayments		(132,819,719)	(42,041,795)
Financial charges paid		(485,550,081)	(495,900,932)
Net cash used in financing activities		(461,235,492)	(483,701,667)
Net increase/(decrease) in cash and cash equivalents		(1,231,345,014)	(201,823,397)
Cash and cash equivalents at the beginning of the period		(1,303,018,041)	(1,502,537,342)
Cash and cash equivalents at the end of the period	15	(2,534,363,055)	(1,704,360,739)

The annexed selected notes from 1 to 18 form an integral part of this condensed interim financial information.

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CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2014

	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 nine-months period ended March 31, 2013		-	-	174,310,241	174,310,241
Transactions with owners					
Cash dividend paid for the year ended June 30, 2012 @ Rs. 2 per share		-	-	(790,646)	(790,646)
		-	-	173,519,595	173,519,595
Balance as at March 31, 2013 - restated		505,207,500	579,265,000	1,495,860,696	2,580,333,196
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	-	-	(10,496,278)	(10,496,278)
Balance as at July 01, 2013 - as restated		505,207,500	579,265,000	1,704,513,504	2,788,986,004
Total comprehensive income for the nine- months period ended March 31, 2014		-	-	260,701,293	260,701,293
Transactions with owners					
Cash dividend paid for the year ended June 30, 2013 @ Rs. 2.25 per share		-	-	(872,127)	(872,127)
		-	-	259,829,166	259,829,166
Balance as at March 31, 2014		505,207,500	579,265,000	1,964,342,670	3,048,815,170

The annexed selected notes from 1 to 18 form an integral part of this condensed interim financial information.

Maqsood Ismail
Chief Executive

Munsarim Saif
Director

Ismail Industries Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

**FOR THE QUARTER AND NINE MONTHS PERIOD ENDED
MARCH 31, 2014**

Ismail Industries Limited

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2014

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 - Bangalore Town, Shahr-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 'Astro pack' respectively.

2 STATEMENT OF COMPLIANCE

This condensed interim financial information of the Company 2014 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - "Interim Financial Reporting" as applicable in Pakistan 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 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.

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;
- (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).

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- (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
Effects on balance sheet		
Unappropriated profit / accumulated (losses)		
As previously reported	1,715,009,782	1,324,989,579
Effect of change in accounting policy - net of tax	(10,496,278)	(2,648,478)
As restated	<u>1,704,513,504</u>	<u>1,322,341,101</u>
Provision for staff gratuity scheme - unfunded		
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>
Deferred tax liability		
As previously reported	491,956,821	365,888,743
Effect of change in accounting policy	(5,180,448)	(1,426,103)
As restated	<u>486,776,373</u>	<u>364,462,640</u>
Effect on other comprehensive income		
Remeasurement of defined benefit liability recognised in other comprehensive income (decrease)	(10,726,700)	(4,074,581)
Impact of deferred tax	3,754,345	1,426,103
	<u>(6,972,355)</u>	<u>(2,648,478)</u>

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

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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	March 31, 2014 Rupees	June 30, 2013 Rupees
Operating fixed assets	5.1	3,550,019,829	2,668,276,718
Capital work in progress	5.2	135,237,953	251,204,291
		<u>3,685,257,782</u>	<u>2,919,481,009</u>

- 5.1 Details of additions and disposals of operating fixed assets during the nine-months period are as follows:

	Additions (at cost)		Deletions (at net book value)	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	Rupees			
Owned assets				
Leasehold land	-	2,231,250	-	-
Building on leasehold land	256,649,176	159,698,187	-	-
Plant and machinery	674,816,758	32,090,035	-	-
Furniture and fittings	2,428,245	1,656,785	-	-
Equipment	2,455,741	6,290,285	-	-
Computers	440,240	529,345	-	137,000
Vehicles	13,977,285	6,090,950	2,004,169	11,405,596
	<u>950,767,445</u>	<u>208,586,837</u>	<u>2,004,169</u>	<u>11,542,596</u>
Leased assets				
Plant and machinery	139,621,361	-	-	-
Vehicles	17,104,410	-	-	-
	<u>156,725,771</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,107,493,216</u>	<u>208,586,837</u>	<u>2,004,169</u>	<u>11,542,596</u>

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

	Additions (at cost)		Transfers (at net book value)	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	Rupees			
Civil works	203,776,832	114,609,068	256,649,175	159,698,187
Plant and machinery	740,640,310	239,497,861	791,175,409	32,090,035
Electric installation	10,871,042	-	23,234,417	-
Equipments and fixtures	5,128,705	7,556,917	5,324,226	8,476,415
	<u>960,416,889</u>	<u>361,663,846</u>	<u>1,076,383,227</u>	<u>200,264,637</u>

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	Note	March 31, 2014 Rupees	June 30, 2013 Rupees (Restated)
6 LONG-TERM INVESTMENTS			
Investment in associated undertakings			
The Bank of Khyber	6.1	1,050,733,805	1,009,101,707
Novelty Enterprises (Private) Limited	6.2	229,724,069	229,724,069
		<u>1,280,457,874</u>	<u>1,238,825,776</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.

The fair value of holding in the Bank as on March 31, 2014 was Rs. 689.2 million (June 30, 2013: Rs. 581.46 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, hence published price quotes are not available. The financial reporting date of Novelty Enterprises (Private) Limited is June 30.

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

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	
	March 31, 2014	June 30, 2013 (Restated)	March 31, 2014	June 30, 2013
Carrying value at beginning of the period	1,009,101,707	879,417,548	229,724,069	229,724,069
Share of profit relating to profit and loss account	73,042,721	97,866,881	-	-
Share of (loss)/profit relating to other comprehensive income	(31,410,623)	31,817,278	-	-
Carrying value at end of the period	<u>1,050,733,805</u>	<u>1,009,101,707</u>	<u>229,724,069</u>	<u>229,724,069</u>

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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	March 31, 2014 Rupees	June 30, 2013 Rupees
7 STORES AND SPARES			
Stores and spare parts - gross		84,703,097	69,735,393
Diesel and liquified petroleum gas		1,396,650	1,526,781
Others		334,015	636,905
Provision for slow moving stores and spare parts		(6,431,420)	(5,906,420)
Store and spares - net		<u>80,002,342</u>	<u>65,992,659</u>
8 STOCK-IN-TRADE			
Raw materials	8.1	2,926,561,036	2,748,855,278
Packing materials	8.1	546,042,990	461,164,318
Work-in-process		40,224,125	18,970,972
Finished goods		<u>1,365,735,610</u>	<u>1,438,574,927</u>
		<u>4,878,563,761</u>	<u>4,667,565,495</u>
8.1	Raw materials and packing materials are stated at net of provision for obsolescence amounting to Rs. 14,529,278, (June 30, 2013: Rs. 13,404,278) and Rs. 129,320,000, (June 30, 2013: Rs. 106,820,000) respectively.		
	Note	March 31, 2014 Rupees	June 30, 2013 Rupees
9 TRADE DEBTS			
Considered good		47,410,532	30,882,991
- secured (export debtors)		697,767,322	446,377,251
- unsecured		745,177,854	477,260,242
Considered doubtful		28,884,303	23,314,885
Trade debts - gross		774,062,157	500,575,127
Provision for doubtful debts		(28,884,303)	(23,314,885)
		<u>745,177,854</u>	<u>477,260,242</u>
10 CASH AND BANK BALANCES			
Cash in hand		4,657,214	1,115,919
Cash with banks in current accounts		45,885,948	28,281,204
		<u>50,543,162</u>	<u>29,397,123</u>
11 SHORT TERM FINANCES - Secured			
Term finances	11.1	1,622,684,011	1,916,779,227
Export refinances	11.2	380,000,000	310,000,000
Running finance utilized under mark-up arrangement	11.3	<u>2,584,906,217</u>	<u>1,332,415,164</u>
		<u>4,587,590,228</u>	<u>3,559,194,391</u>

Ismail Industries Limited

- 11.1 The facilities for term finances from various banks aggregated to Rs. 3,200 million (June 30, 2013: Rs. 2,145 million). These facilities are secured against pari-passu charge of stocks, book debts and personal guarantees of the Directors. These facilities carry mark-up at the rates ranging from 9.08% to 11.28% per annum (June 30, 2013: 9.76% to 13.47% per annum).
- 11.2 The facilities for export refinance from various banks aggregated to Rs. 380 million (June 30, 2013: Rs. 310 million). These facilities are secured against 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% above the State Bank of Pakistan rate per annum (June 30, 2013: 1% above the State Bank of Pakistan rate per annum).
- 11.3 The facilities for running finances available from various banks aggregated to Rs. 2,625 million (June 30, 2013: Rs. 1,975 million). These facilities are secured against pari-passu charge of stocks and book debts and personal guarantees of the Directors. These facilities carry mark-up at the rates ranging from 9.97% to 11.59% per annum (June 30, 2013: 10.31% to 13.99% per annum).

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

- 12.1.1 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.
- 12.1.2 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.
- 12.1.3 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	March 31, 2014 Rupees	June 30, 2013 Rupees
12.2 Commitments			
Outstanding letter of guarantees		<u>123,118,147</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>454,725,144</u>	<u>453,888,334</u>

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	Note	March 31, 2014 Rupees	March 31, 2013 Rupees
13 EARNINGS PER SHARE-Basic and Diluted			
Basic earnings per share			
Profit for the period - Rupees		<u>292,111,916</u>	<u>173,666,340</u>
Weighted average number of shares - Numbers		<u>50,520,750</u>	<u>50,520,750</u>
Earnings per share - Rupees		<u>5.78</u>	<u>3.44</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.			
14 CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES			
Profit before income tax		414,743,021	322,855,167
Adjustments for non-cash and other items:			
Depreciation		223,745,395	191,444,847
Gain on disposal of property, plant and equipment - net		(1,388,940)	(5,863,011)
Provision for staff retirement gratuity		14,629,219	16,745,669
Share of profit from associated undertaking		(73,042,721)	(79,451,602)
Finance cost		465,601,138	459,163,437
Net increase/(decrease) in working capital	14.1	<u>(663,303,656)</u>	<u>(190,793,429)</u>
		<u>380,983,456</u>	<u>714,101,078</u>
14.1 Working capital changes			
Current assets			
Increase in stores and spares		(14,009,683)	(9,088,712)
Increase in stock-in-trade		(210,998,266)	(106,569,528)
Increase in trade debts		(267,917,612)	(122,037,078)
Decrease in advances		15,491,782	5,679,893
Increase in trade deposits and short-term prepayments		(11,451,734)	(21,129,139)
Decrease in other receivables		395,443	50,343,255
		<u>(488,490,070)</u>	<u>(202,801,309)</u>
Current liabilities			
Increase /(decrease) in trade and other payables		24,334,140	(79,170,992)
Increase in short-term finances		(224,095,216)	69,828,905
Increase in advance from customers		24,947,490	21,349,967
		<u>(174,813,586)</u>	<u>12,007,880</u>
Net increase /(decrease) in working capital		<u>(663,303,656)</u>	<u>(190,793,429)</u>
15 CASH AND CASH EQUIVALENTS			
Cash and bank balances	10	50,543,162	21,210,590
Running finances under mark-up arrangement	11	(2,584,906,217)	(1,725,571,329)
		<u>(2,534,363,055)</u>	<u>(1,704,360,739)</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, costs, assets and liabilities for the period are as follows:

	Quarter ended				Nine Months period ended			
	Food Processing		Plastic Film		Food Processing		Plastic Film	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	Rupees							
Sales								
Local	3,234,353,897	2,827,888,050	276,935,400	337,298,750	8,126,485,772	7,081,342,211	984,497,762	884,905,879
Export	182,393,821	266,644,888	382,393,821	62,364	594,522,286	708,843,607	-	14,555,901
Export rebates	3,615,876	4,404,213	3,617,174	84,099,304	9,610,509	11,761,334	209,912,267	477,859
Inter segment sales	3,420,363,594	3,098,337,151	379,979,215	422,060,418	8,640,638,567	8,401,947,152	1,194,410,029	2,09,059,660
Less:								
Sales return and discounts	(277,918,564)	(171,091,245)	(828,526)	(62,475)	(402,927,023)	(429,421,632)	(2,633,337)	(2,700,930)
Sales tax	(457,835,546)	(345,561,698)	(40,534,468)	(46,480,714)	(1,154,873,630)	(933,295,735)	(144,684,805)	(121,651,367)
Net sales	2,684,609,484	2,581,284,208	318,556,321	375,017,229	7,082,87,914	7,039,229,865	1,047,091,687	984,640,002
Cost of sales	(2,144,924,983)	(2,090,102,894)	(277,880,402)	(305,022,846)	(5,634,340,478)	(5,650,838,097)	(914,673,722)	(827,489,548)
Selling and distribution expenses	(241,206,994)	(255,284,090)	(8,348,346)	(736,991)	(82,849,803)	(73,451,422)	(555,248)	(582,563,710)
Administrative expenses	(2,433,063,116)	(2,409,753,162)	(286,922,448)	(315,102,900)	(6,598,511,844)	(6,499,342,480)	(7,341,883,263)	(7,350,601,891)
Segment result	288,926,370	171,911,046	31,633,873	60,814,339	684,306,070	540,887,485	103,770,248	132,380,591
Unallocated income and expenses								
Other operating income							52,703,310	54,429,367
Finance cost							(465,601,138)	(459,163,437)
Other operating expenses							(33,428,190)	(25,130,441)
Share of profit/(loss) from associated undertakings							79,042,721	79,042,721
Profit before taxation							414,743,021	322,855,167
Income tax expense							(122,631,005)	(149,188,827)
Profit for the period							292,111,916	173,666,340
Reconciliation of reportable segment sales and cost of sales								
Sales net of sales return and discount								
Total sales for reportable segments							8,129,009,601	8,023,669,967
Less: Elimination of inter-segments sales							2,999,558,435	1,054,947,102
Total sales							(209,912,267)	(209,052,660)
Cost of sales							3,264,544,545	3,264,544,545
Total cost of sales for reportable segments							82,982,517	84,099,304
Total cost of sales							(6,339,321,883)	(6,209,275,495)

16.2

Ismail Industries Limited

	Food Segment		Plastic Segment		Total	
	March 31, 2013	June 30, 2013	March 31, 2013	June 30, 2013	March 31, 2013	June 30, 2013
16.3 Segment assets						
16.4 Unallocated assets	7,745,358,746	6,584,631,270	1,955,566,617	1,777,793,079	9,700,925,363	8,362,424,349
	7,745,358,746	6,584,631,270	1,955,566,617	1,777,793,079	1,356,063,710	1,300,210,166
					11,056,989,073	9,662,634,515
16.5 Segment liabilities	4,290,731,548	2,888,603,110	1,038,311,672	1,374,731,126	5,329,043,220	4,278,135,517
16.6 Unallocated liabilities	4,290,731,548	2,888,603,110	1,038,311,672	1,374,731,126	2,679,130,683	2,595,512,994
					8,008,173,903	6,873,648,511

16.7 Inter-segment pricing

Transactions among the business segments are recorded at estimated cost.

16.8 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.

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

16.10 RECONCILIATION OF REPORTABLE SEGMENT

ASSETS AND LIABILITIES

16.11 Assets

Total assets for reportable segments	9,700,925,363	8,362,424,349
Administrative capital assets	75,605,836	61,384,390
Long term investment	1,280,457,874	1,238,823,776
Total assets	11,056,989,073	9,662,634,515

16.12 Liabilities

Total liabilities for reportable segments	5,329,043,220	4,278,135,517
Directors loan	352,151,770	352,151,770
Deferred liabilities	545,641,736	486,776,573
Long term finance	1,515,233,364	1,648,053,083
Assets subject to finance lease	266,103,813	108,531,768
Total liabilities	8,008,173,903	6,873,648,511

Note

16.3

6

16.5

Ismail Industries Limited

17 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	March 31 2014 Rupees	March 31 2013 Rupees
Transactions		
Rent paid to Chief Executive	735,000	1,200,000
Plasitflex Films (Private) Limited		
Close family relationship		
- Purchases of packing material	22,061,802	13,971,326
Astro Plastics (Private) Limited		
Common directorship		
- Processing charges	21,918,827	-
Others		
Remuneration to directors and other key management personnel:		
Chief Executive	2,375,000	2,550,000
Directors	5,625,000	6,750,000
Executives	82,465,560	72,766,840
	60,577,040	82,066,840
	March 31 2014 Rupees	June 30 2013 Rupees
Balances		
Creditors - associated company		
At beginning of the period / year		5,695,189
Purchases during the period / year	43,980,629	13,971,326
Paid during the period / year		(16,848,731)
At the end of the period / year	27,122,992	2,817,784
Directors' subordinated - loan		
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

18 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on 28th April, 2014 by the Board of the Company.

Maqsood Ismail
Chief Executive

Munsarim Saif
Director

BOOK POST

Under Postal Certificate

ISMAIL INDUSTRIES LIMITED

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