Annual Report 2012

Ismail Industries Limited

Candyland Bisconni Snackcity Astro Films

packaging solution
CPP-BOPP-BOPET

VISION STATEMENT

We aim to offer high quality products to our consumers by remaining the most technologically advanced company in our field. We strive to be brand leaders in all the categories that we compete in. We wish to have a substantial presence outside of Pakistan, through export and local manufacturing.

MISSION STATEMENT

We strive to deliver to our consumers' consistent quality of products which maximize our values and customers satisfaction. We are extensively catering to the domestic markets and strengthening our roots in international ones.

We wish to consolidate and strengthen our position as the most technologically advanced company in our field. We recognized the importance of efficiency and creativity to achieve growth in a competitive environment. We believe and optimally combine our people, technology management system and opportunities to achieve profitable growth while providing fair returns to our shareholders.

We realize our responsibility towards society and contribute to our environment as good corporate citizen.

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COMPANY INFORMATION

Board of Directors

Executive Directors
Mr. Muhammad M. Ismail
(Chairman)
Mr. Maqsood Ismail
(Chief Executive)
Mr. Miftah Ismail
Mr. Munsarim Saif

Non-Executive Directors
Ms. Rashida Iqbal
Ms. Anisa Naviwala
Ms. Nafisa Yousuf Palla
Ms. Uzma Arif

Audit Committee Members

Ms. Rashida Iqbal	Chairperson
Mr. Maqsood Ismail	Member
Ms. Uzma Arif	Member

Human Resource Committee

Ms. Uzma Arif	Chairperson
Ms. Nafisa Yousuf Palla	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
Allied Bank Limited
Bank Al-Habib Limited
Barclays Bank PLC, Pakistan
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
NBP Leasing Ltd
NIB Bank Limited
Pak Brunei Investment Co Ltd
Pak Oman Investment Co. Ltd
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Standard Chartered Modaraba
Silkbank Limited
The Bank of Punjab
United Bank Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting of Ismail Industries Limited will be held at Hotel Days Inn, Bushra Hall, 164, B.C.H.S. Shahra-e-Faisal, Karachi on Wednesday, October 24, 2012 at 11:00 a.m. to transact the following business.

Ordinary Business

1. To confirm the minutes of the 23rd Annual General Meeting of the Company held on October 27, 2011.

2. To receive, consider and approve the Annual Audited Financial Statements of the Company for the year ended June 30, 2012 together with the Directors' and Auditors' report thereon.

3. To approve and declare the cash dividend @ 20% (Rs. 2/- per share) on the Ordinary Shares of the Company as recommended by the Directors for the year ended June 30, 2012. Due to the cash flow requirements of the Company, Directors and their relatives have waived their right to the dividend.

4. To appoint Auditors for the year ending June 30, 2013 and to fix their remuneration. The retiring auditors M/s. Anjum Asim Shahid Rahman, Chartered Accountants being eligible have offered themselves for re-appointment.

Special Business

5. To consider the recommendation of the Board of Directors for transmission of quarterly accounts through website in compliance with section 245 for the Companies Ordinance 1984 and Securities & Exchange Commission of Pakistan (SECP) circular No. 19 of 2004 and if deemed fit pass the following resolution as a special resolution:

   "Resolved that the company is hereby authorized to place its quarterly accounts on its website instead of sending the same to members by post, as allowed by the Securities & Exchange Commission of Pakistan (SECP) vide its circular No. 19 of 2004.

6. To transact any other business with permission of the Chair

By order of the Board

Karachi: October 1, 2012

Ghulam Farooq
Company Secretary

Notes

1. With reference to our advertisements in daily newspapers dated 30-04-2012 and letters sent to individual members/ Shareholders at their registered addresses, it is hereby informed that the Individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Company are once again requested to send the same at the earliest directly to The Company Secretary, Ismail Industries Limited, 17-Bangalore Town, Shahra-e-Faisal, Karachi. The Corporate entities are requested to provide their National Tax Number (NTN). Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) Notification dated August 18, 2011 SRO 779(I)2011, which mandates that the dividend warrants should bear CNIC number of the registered member

or the authorized person except in case of minor(s) and corporate members.

2. To comply with the SECP directives, all shareholders of the Company are requested to provide a copy of their valid CNIC/NTN urgently.

   Please note that as per SECP directives, future dividend warrants of the shareholders whose CNIC are not available with the Company / Share Registrar could be withheld.

3. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxy, in order to be effective must reach the Company Registrar Office not less than 48 hours before the time of the meeting during working hours.

4. The shares transfer book of the Company shall remain closed with effect from October 18, 2012 to October 24, 2012 (both days inclusive). Shares may be lodged for transfer with our Registrar M/s. THK Associates (Pvt.) Ltd, Ground Floor, State Life Building No.3, Dr. Zia-ud-din Ahmed Road, Karachi, Phone # 021-111-000-322 or at our Registered Office located at 17-Bangalore Town, Main Shahra-e-Faisal, Karachi, Phone # 34311172-75, Fax # 34547843/34541094.

5. The shareholders are advised to notify the Registrar of any change in their addresses.

6. In case of CDC Beneficiary Owners, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

Statement under section 160 of the Companies Ordinance' 1984

The following statement under section 160 of the Companies Ordinance, 1984 is made regarding the Special Business to be conducted at the 24th Annual General Meeting of the Company to be held on October 24, 2012.

Item 5 of the agenda

Placement of Quarterly Accounts on Website

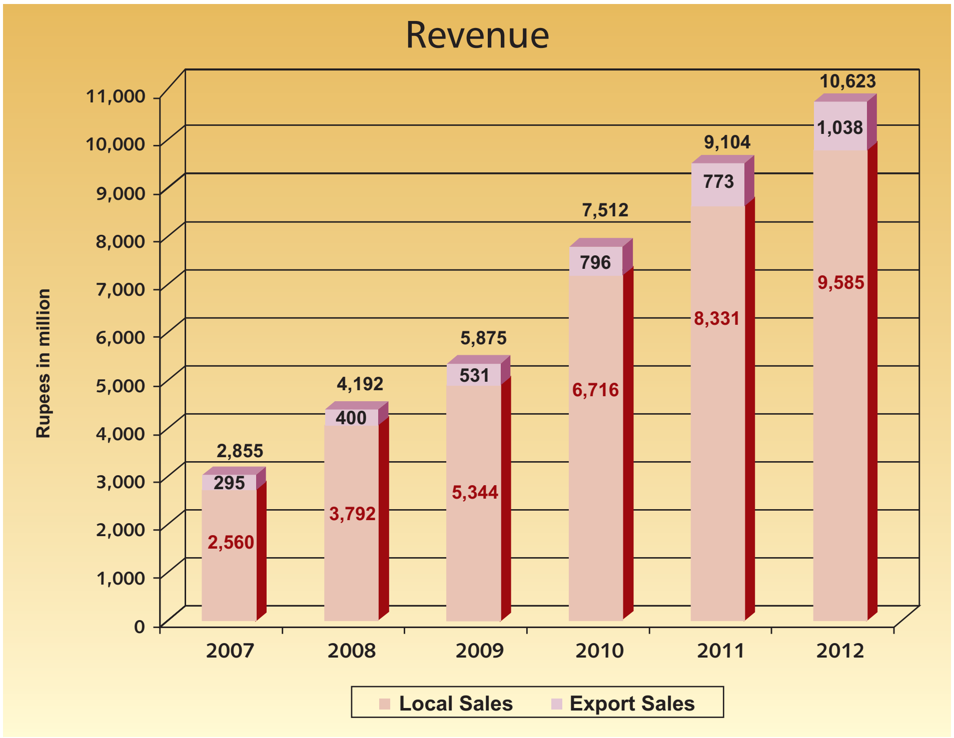
The Securities & Exchange Commission of Paksitan (SECP) vide Circular No 19 of 2004 has allowed the listed companies to place the quarterly accounts on their website instead of sending the same by post. This would ensure prompt disclosure of information to the shareholders, besides saving of costs associated with printing and dispatch of accounts by post.

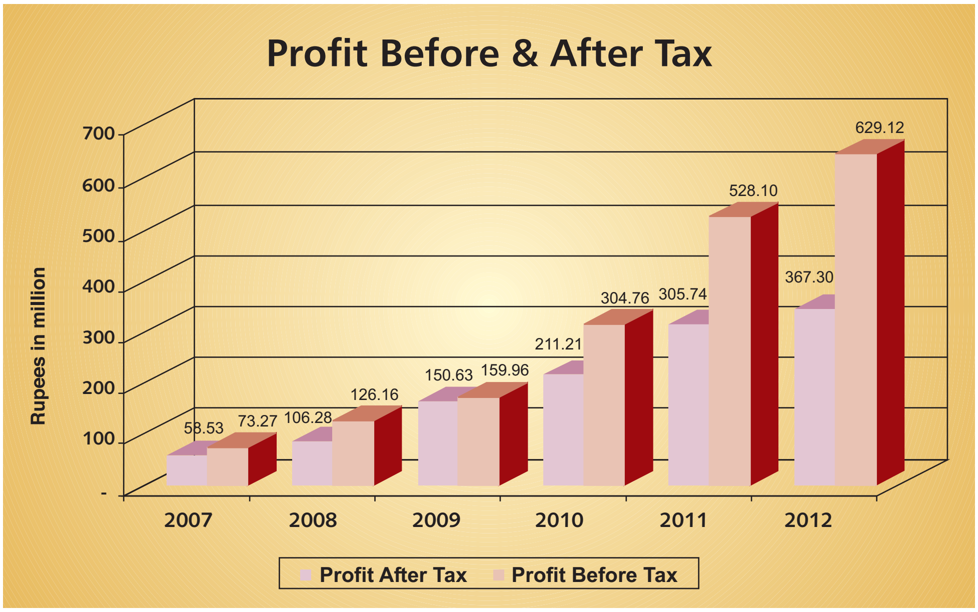
The Company is maintaining its Website www.candyland1.com and latest accounts are already being placed there for information. Prior permission of the SECP would be sought for transmitting the quarterly accounts through Company's website after the approval of the shareholders. The Company however, will supply the printed copies of accounts to the shareholders on demand at their registered address free of cost.

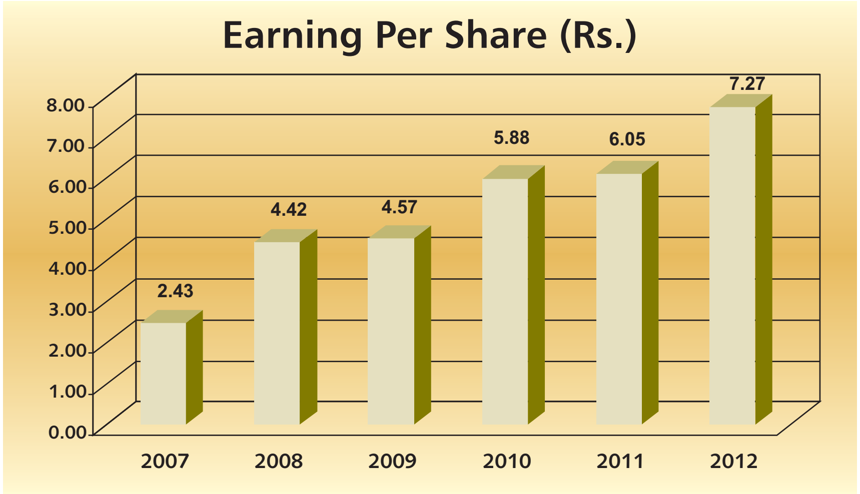
The directors of the company have no interest in the above resolution that would need a further disclosure.

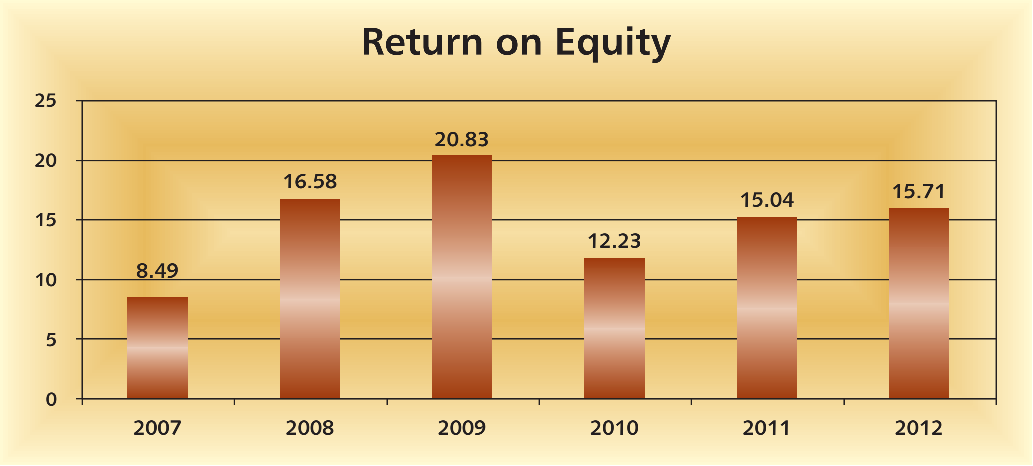
FINANCIAL STATISTICAL HIGHLIGHTS

	2012	2011	2010	2009	2008	2007
Profit and Loss Account						**(Rs. in millions)**
Sales	**10,623**	9,104	7,512	5,875	4,192	2,855
Gross profit	**1,831**	1,441	1,128	1,116	743	523
Profit before tax	**629**	528	305	160	126	73
Taxation expense	**262**	222	94	9	20	15
Profit for the year	**367**	306	211	151	106	59
Balance Sheet						
Share holders' equity	**2,409**	2,033	1,728	723	641	689
Capital reserves	**579**	579	579	50	118	248
Unappropriated profit	**1,325**	948	643	433	282	200
Current liabilities	**5,135**	4,560	3,551	2,981	2,221	1,689
Total liabilities	**6,687**	6,299	4,757	4,928	4,014	3,101
Current assets	**5,290**	4,867	3,626	3,047	2,228	1,696
Total assets	**9,097**	8,332	6,485	5,651	4,655	3,791
Ratios						
Earning per share - basic & diluted (Rs.)	**7.27**	6.05	5.88	4.57	4.42	2.43
Break up value (Rs.)	**47.69**	40.23	34.20	30.06	26.65	28.65
Return on equity (%)	**15.71**	15.04	12.23	20.83	16.58	8.49
Dividend payout (%)	**20.00**	20.00	17.50	15.00	15.00	10.00


Revenue
Rupees in million
11,000
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2,855
295
2,560
4,192
400
3,792
5,875
531
5,344
7,512
796
6,716
9,104
773
8,331
10,623
1,038
9,585
2007
2008
2009
2010
2011
2012
Local Sales
Export Sales


Profit Before & After Tax
Rupees in million
700
600
500
400
300
200
100
-
58.53
73.27
106.28
126.16
150.63
159.96
211.21
304.76
305.74
528.10
367.30
629.12
2007
2008
2009
2010
2011
2012
Profit After Tax
Profit Before Tax


Earning Per Share (Rs.)
8.00
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
2.43
4.42
4.57
5.88
6.05
7.27
2007
2008
2009
2010
2011
2012


Return on Equity
25
20
15
10
5
0
8.49
16.58
20.83
12.23
15.04
15.71
2007
2008
2009
2010
2011
2012

DIRECTORS REPORT

The Directors are pleased to present the Annual Report of Ismail Industries Limited together with the Company's Audited Financial Statements and Auditor's Report thereon for the year ended June 30, 2012.

Financial Performance

- Overall

Even though economic and business environment in the country remained subdued, your company has shown its resilience by attaining its highest ever profits of PKR 367million in FY2012. Your company had gross sales of PKR 10.62 billion, which represents a substantial growth of 17% year over year. Innovation, increased sales and economies of scales have helped the bottom line offsetting the increased cost of production due to high inflation in the country. This was achieved by management actions to improve efficiency in production as well as sales, introduction of new products, prudent management of funds, and cost controls and reduction.

A brief financial analysis of the Company for the year under review, with previous year's comparison is presented as follow:

	June 30 2012	June 30 2011	Change in
	PKR Million		%
Gross Sales	**10,623**	9,104	16.68%
Net Sales	**9,276**	7,755	19.61%
Gross Profit	**1,831**	1,441	27.06%
% of Net Sales	**19.74%**	18.58%	6.23%
Profit before tax	**629**	528	19.13%
% of Net Sales	**6.78%**	6.81%	-0.40%
Profit after tax	**367**	306	19.93%
% of Net Sales	**3.96%**	3.95%	0.27%
Earnings per share - Rupees	**7.27**	6.05	20.17%
Operating cash flows	**843**	761	10.78%

- **Food processing segment**

The food processing segment has shown sustained growth over the past few years, indicating the potential and depth present in both local and export market in this category. Food division has posted 20% growth to close the year with gross revenues just under PKR 10 billion. The company is closely pursuing economies of scale strategy to counteract the effects of energy crisis, power shortages and setbacks due to law and order situation.

CandyLand has shown steady growth in all core categories e.g. candies, chocolates, jellies, chews, toffees, marshmallows etc. The company's focus has been to increase top line revenue and boost bottom line profitability through improved capacity utilization, which has been made possible by increased investment in sales and marketing. In Bisconni, the company has had to take the difficult decision of changing value proposition due to the constant pressure of high raw material and energy costs. This had led to a process of consolidation for the Bisconni business. However, the business has emerged from this challenge and is now poised for improved growth and profitability in the coming years, with consumers' favorite brands Cocomo and Chocolate Chip Cookies leading the way. Snackcity's performance is continuing on its success trajectory, with your company achieving high levels of capacity utilization, both at Hub and at the newly set up Lahore facility. The core brand, Kurleez has been showing consistent growth and has established itself as a serious contender in the snacks industry.

The initiative launched last year under which World Food Program certified Ismail Industries Limited as its supplier for a nutritional food supplement has resulted in steady orders this year, which speaks volumes for the high standards of production quality that your company strives to maintain.

The toll manufacturing part of this business is also thriving with the multinational companies feeling more confident in their relationship with the company and high levels of quality, hygiene and safety of the company's facility.

Your company continues to focus behind innovation as a core driver for growth within the food business, with a number of expansion projects under consideration. We plan to consistently provide support to the base business by developing new users and usage occasions for our existing brands.

- **Plastic film segment**

Plastic film segment has performed well in the year under review, showing growth on both revenue and profitability parameters. Improved capacity utilization has resulted in enhanced profitability for the films segment.

Audit Committee

The Board of Directors has established an Audit Committee since the enforcement of the Code of Corporate Governance. At present, the Audit Committee comprises of Two Non-Executive Directors and One Executive Director. Four meetings of Audit Committee were held during the year 2012. The terms of reference of the Audit Committee are determined by the Board of Directors and are in line with the guidelines provided in the Code of Corporate Governance. Chief Financial Officer and External Auditors attend Audit Committee meetings by way of invitation. However they are not formal members of the Audit Committee.

Human Resource & Remuneration Committee

The Board of Directors has constituted a Human Resource & Remuneration Committee, comprising of three Non-Executive Directors. The terms of reference of the Human Resource & Remuneration Committee are determined by the Board of Directors and are in line with the guidelines provided in the Code of Corporate Governance. One meeting of the said Committee was held during the year 2012.

Related Parties

The company has maintained a complete and updated list of related parties and fully complied with the best practices of the Code of Corporate Governance with reference to transaction. The Company has adopted the method of all transactions with related parties, are carried out on an unbiased, arms length basis.

Dividend

The Directors have recommended a cash dividend @ 20% (Rs. 2/- per share) on the Ordinary Shares of the Company for the financial year ended June 30, 2012. Due to the cash flow requirements of the Company, Directors and their relatives have waived their right to the dividend.

Challenges and Prospects

The year 2011-12 has been challenging for the business sector as a whole due to a number of factors, the biggest of which has been the rising spectra of energy and power crisis in the country. Utilities prices have increased sharply, impacting businesses from both profitability and sales perspectives, as businesses increase prices and consumers limit consumption, leading to a vicious cycle of inflation and economic slowdown. Your company has overcome this challenge by using self generated power through gas coupled with waste heat recovery units. Our efficient use of energy gives us the edge over other players in the market, as there are no outages, the production continues uninterrupted and consequently wastages are lowered and overall efficiency and, correspondingly margins, are improved.

With persistent inflation the ability of our target demographics to continue consuming at the same rate is in doubt. However, the company has been pro active in this and has changed its value proposition across products to not only keep sales growing at historical rates but to also improve our margins.

One of the most persistent issues the country has faced over the last decade or so has been the law and order and security issue at our northern borders. Although it is making life difficult for a large number of people in the northern areas, we feel it has limited impact on our business.

However, the company continues to keep its focus on the long-term, targeting the country's fundamentals and undeniable potential. We are committed to our strategy of providing value for money innovations to the consumer to fuel growth and expansion.

Management and Employees

The Company believes that Human Capital is the most valuable intangible asset and their finding, hiring and retaining are enabling factors for the success of any organization. We strongly believe in investing & developing this talent in order to equip them with up-to-date knowledge and skills to create and sustain a culture of high performance in a competitive business environment. Due to changing needs, we have re-organized and modernized the organizational structure, adding new positions to the mix. We are confident that we have strong, competitive team with good fusion of fresh talent and our own people, giving us a leading edge in the market place.

Code of Corporate Governance

The Board of Directors has taken all necessary steps to comply with the requirements of the Code of Corporate Governance included in the Listing Regulations of Stock Exchanges in Pakistan. As required under the Code, the Directors are pleased to state as follows:

- Financial statements prepared by the management of the Company for the year ended June 30, 2012 present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required by the Companies Ordinance, 1984.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any deviation from these has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented. The system is being continuously monitored by Internal Audit and through other monitoring procedures. The process of monitoring Internal Controls will continue as an ongoing process with the objective to further strengthen the controls and bring in improvements in the system
- There are no significant 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 in the Listing Regulations.

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

Board of Directors Meetings

During the year five (5) meetings of the Board of Directors were held to cover its complete cycle of activities. Leave of absence was granted to directors who could not attend board meetings. Attendance by each director was as follows:

Name of Director	Meetings Attended
Mr. Muhammad M. Ismail	5
Mr. Maqsood Ismail	4
Mr. Miftah Ismail	5
Mr. Munsarim Saif	5
Ms. Rashida Iqbal	4
Ms. Anisa Naviwala	4
Ms. Nafisa Yousuf Palla	3
Ms. Uzma Arif	4

Pattern of Shareholdings

- A statement showing pattern of shareholding of the Company and additional information as at June 30, 2012 is included in the report.

- The Directors, CEO, CFO, Company Secretary and their spouses and minor children transactions in the shares of the Company during the year is annexed to the report.

Auditors

The present auditors M/s. Anjum Asim Shahid Rahman, Chartered Accountants are retiring and being eligible, offer themselves for re-appointment. The Board of Directors, on the recommendation of the Audit Committee, proposes the appointment of M/s. Anjum Asim Shahid Rahman, Chartered Accountants as the auditors of the Company for the year 2012-2013.

Acknowledgment

We wish to place on record our sincere appreciation and would like to take this opportunity to thank all our shareholders and other stakeholders including vendors, banks and financial institutions for reposing their trust in the Company. We would also like to thank our employees who have stood firm with the Company and we are hopeful that their dedication, commitment and hard work will take the Company at the new heights of business.

On behalf of the Board of Directors

MAQSOOD ISMAIL
Chief Executive

Karachi: September 24, 2012

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of the 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 of corporate governance in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. The board comprises of following eight directors:

Independent Director:	Not Applicable
Executive Directors:	Mr. Muhammad M.Ismail (Chairman) Mr. Maqsood Ismail (Chief Executive) Mr. Miftah Ismail Mr. Munsarim Saifullah
Non- Executive Directors:	Ms. Rashida Iqbal Ms. Anisa Naviwala Ms. Nafisa Yousuf Palla Ms. Uzma Arif

   The company will elect an independent non-executive director in the forthcoming election of directors to be held in 2013.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual Vacancy occurred on the board during the year.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy 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 decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board arranged no training programs for its directors during the year as the directors have more than 15years experience on the board of a listed company.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the code of corporate governance 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 of corporate governance.

15. The board has formed an Audit Committee. It comprises 3 members, of whom 2 are non-executive directors.

16. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the company and as required by the code of corporate governance. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises 3 members, of whom all are non-executive directors.

18. The board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company and are involved in the internal audit function on a full time basis.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.

20. 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.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the code of corporate governance have been complied with.

On behalf of Board of Directors

MAQSOOD ISMAIL
Chief Executive

Karachi: September 24, 2012

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance (the statement) with the best practices contained in the code of Corporate Governance (the code) for the year ended June 30, 2012 prepared by the Board of Directors of Ismail Industries Limited (the company) to comply with the Listing Regulation of the Karachi and Lahore Stock Exchanges respectively where the company is listed.

The responsibility for compliance with the code is that of the Board of the Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement reflects the status of the company's compliance with the provisions of the code 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 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 are not required to consider whether the board's statement on internal control cover all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Listing regulation of Karachi and Lahore Stock Exchanges require the company to place before the board of directors for their consideration and approval related party transaction distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Karachi:
24 September 2012

Anjum Asim Shahid Rahman
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ismail Industries Limited (the Company) as at 30 June 2012 and the related profit and loss account, statement of comprehensive income , statement of cash flow and statement of changes in equity together with the notes forming part thereof, 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 account have been kept by the company as required by the Companies Ordinance, 1984;

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 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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the 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 30,2012 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance

The financial statements of the Company for the year ended June 30 2011, were audited by another firm of Chartered Accountants, whose report dated September 27, 2011 expressed an unmodified opinion on those financial statements.

CHARTERED ACCOUNTANTS
Engagement partner: Shahzada Saleem Chugtai

Karachi: September 24, 2012

FINANCIAL STATEMENTS
For the year ended June 30, 2012

BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012	2011
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	5	**2,654,875,863**	2,375,674,778
Long term investments	6	**1,109,141,617**	1,053,199,934
Long term deposits	7	**42,821,706**	36,018,562
Total non-current assets		**3,806,839,186**	3,464,893,274
Current assets			
Stores and spare parts	8	**54,239,339**	42,450,083
Stock-in-trade	9	**4,387,231,734**	3,896,776,499
Trade debts	10	**577,700,749**	450,406,878
Advances - considered good	11	**81,903,956**	225,800,338
Trade deposits and short term prepayments	12	**4,205,648**	6,580,419
Other receivables	13	**102,991,665**	152,465,524
Advance tax - net of provision	14	**57,546,836**	71,040,756
Cash and bank balances	15	**24,207,640**	21,597,690
Total current assets		**5,290,027,567**	4,867,118,187
Total assets		**9,096,866,753**	8,332,011,461

MAQSOOD ISMAIL
Chief Executive

MUNSARIM SAIF
Director

	Note	2012	2011
		Rupees	
EQUITY AND LIABILITIES			
Shareholders' equity			
Authorized capital			
100,000,000 (2011: 100,000,000) ordinary shares of Rs. 10 each		**1,000,000,000**	1,000,000,000
Issued, subscribed and paid-up capital	16	**505,207,500**	505,207,500
Capital reserve	17	**579,265,000**	579,265,000
Unappropriated profit		**1,324,989,579**	948,053,287
Total shareholders' equity		**2,409,462,079**	2,032,525,787
Non-current liabilities			
Directors' loan - subordinated	18	**352,151,770**	352,151,770
Long term finances - secured	19	**653,867,668**	1,000,721,513
Liabilities against assets subject to finance lease	20	**150,323,252**	160,002,875
Deferred liabilities	21	**395,887,761**	226,576,909
Total non-current liabilities		**1,552,230,451**	1,739,453,067
Current liabilities			
Trade and other payables	22	**712,089,200**	1,034,996,890
Accrued mark-up	23	**118,996,600**	95,468,695
Short term finances - secured	24	**3,686,383,205**	2,775,463,012
Current portion of:			
- long term finances	19	**481,897,741**	548,628,586
- liabilities against assets subject to finance lease	20	**60,432,033**	41,946,072
Advance from customers		**75,375,444**	63,529,352
Total current liabilities		**5,135,174,223**	4,560,032,607
Total liabilities		**6,687,404,674**	6,299,485,674
Contingencies and commitments	25		
Total equity and liabilities		**9,096,866,753**	8,332,011,461

The annexed notes 1 to 45 form an integral part of these financial statements.

MAQSOOD ISMAIL
Chief Executive

MUNSARIM SAIF
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		Rupees	
Sales	27.1	10,623,187,808	9,104,093,764
Less: Sales tax	26	1,347,666,092	1,349,250,742
Net Sales		9,275,521,716	7,754,843,022
Cost of sales	27.2	7,445,003,760	6,314,109,045
Gross profit		1,830,517,956	1,440,733,977
Selling and distribution expenses	29	540,009,928	484,585,714
Administrative expenses	30	75,490,880	69,215,300
Operating profit		1,215,017,148	886,932,963
Other operating expenses	31	64,263,684	30,177,065
Other operating income	32	58,635,534	86,117,712
		1,209,388,998	942,873,610
Finance cost	33	624,917,476	526,742,510
		584,471,522	416,131,100
Share of profit from associated undertaking	6.3	44,646,281	111,970,040
Profit before tax		629,117,803	528,101,140
Income tax expense	36	261,804,705	222,363,022
Profit for the year		367,313,098	305,738,118
Earnings per share - basic and diluted	37	7.27	6.05

The annexed notes 1 to 45 form an integral part of these financial statements.

MAQSOOD ISMAIL
Chief Executive

MUNSARIM SAIF
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		Rupees	
Profit for the year		**367,313,098**	305,738,118
Other comprehensive income	6.3	**11,295,402**	-
Total comprehensive income for the year		**378,608,500**	305,738,118

The annexed notes 1 to 45 form an integral part of these financial statements.

MAQSOOD ISMAIL
Chief Executive

MUNSARIM SAIF
Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	38	**940,231,256**	884,214,487
Gratuity paid		**(10,001,548)**	(8,257,036)
Income tax paid (net of refund)		**(80,139,297)**	(87,623,740)
Long term deposits received		**(6,803,144)**	(27,728,760)
Net cash generated from operating activities		**843,287,267**	760,604,951
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(526,967,378)**	(698,802,282)
Proceeds from disposal of property, plant and equipment	5.3	**10,632,448**	83,426,307
Net cash used in investing activities		**(516,334,930)**	(615,375,975)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipt of loan from directors		**-**	352,151,770
Receipt from long term financing - net		**(413,584,690)**	(95,059,467)
Finance lease liability net of repayments		**8,806,338**	174,091,459
Interest / mark-up paid		**(601,389,571)**	(502,716,038)
Dividend paid		**(1,628,005)**	(813,959)
Net cash used in financing activities		**(1,007,795,928)**	(72,346,235)
Net (decrease) / increase in cash and cash equivalents		**(680,843,591)**	72,882,741
Cash and cash equivalents at beginning of the year		**(821,693,751)**	(894,576,492)
Cash and cash equivalents as at end of the year		**(1,502,537,342)**	(821,693,751)
Cash and cash equivalents as at end of the year comprise:			
Cash and bank balances	15	**24,207,640**	21,597,690
Running finance utilized under mark-up arrangements	24	**(1,526,744,982)**	(843,291,441)
		(1,502,537,342)	(821,693,751)

The annexed notes 1 to 45 form an integral part of these financial statements.

MAQSOOD ISMAIL
Chief Executive

MUNSARIM SAIF
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Share capital	Capital reserve Share premium	Revenue reserve Unappropriated profit	Shareholders' equity
	------------------------- Rupees -------------------------			
Balance as at June 30, 2010	505,207,500	579,265,000	643,195,493	1,727,667,993
Final dividend for the year ended June 30, 2010 declared subsequent to year-end	-	-	(880,324)	(880,324)
Total comprehensive income for the year	-	-	305,738,118	305,738,118
Balance as at June 30, 2011	505,207,500	579,265,000	948,053,287	2,032,525,787
Final dividend for the year ended June 30, 2011 declared subsequent to year-end	**-**	**-**	**(1,672,208)**	**(1,672,208)**
Total comprehensive income for the year	**-**	**-**	**378,608,500**	**378,608,500**
Balance as at June 30, 2012	**505,207,500**	**579,265,000**	**1,324,989,579**	**2,409,462,079**

The annexed notes 1 to 45 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 into a public limited company. The registered office of the Company is situated at 17 - Bangalore Town, Shahrah-e-Faisal, Karachi, Pakistan. The shares of the Company are listed on the Karachi and Lahore Stock Exchanges. 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 'Astropack' respectively.

2 STATEMENT OF COMPLIANCE

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

2.2 Standard, amendment or interpretation to published approved accounting standards

2.2.1 New / Revised standards, amendments and interpretations to existing standards effective from current period but not relevant to the Company:

The following standards, amendments to approved accounting standards and interpretations are effective for accounting periods beginning on or after January 1, 2012. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the financial statements of the Company.

- IAS 32 (Amendment) ‘Financial Instruments: Presentation’
- International Financial Reporting Interpretations Committee (IFRIC) 13 (Amendment) 'Customer Loyalty Programmes'
- Amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction"
- IFRIC 19 ‘Extinguishing Financial Liabilities with Equity Instruments’

The application of improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in these financial statements.

2.2.2 Standards, amendments and interpretations to published approved accounting standards that are not yet effective and have not been adopted early by the Company:

The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after the dates specified below:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Company.

- IAS 27 Separate financial statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated financial statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off; and that some gross settlement systems may be considered equivalent to net settlement. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the balance sheet or subject to master netting agreement or similar arrangement. The amendments have no impact on financial statements of the Company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of measurement

3.1.1 These financial statements have been prepared under the historical cost convention except certain financial assets and liabilities which have been stated at fair value or amortized cost and staff retirement benefits which have been recognized at values determined by independent actuary (refer note 4.13).

These financial statements comprise of balance sheet, profit and loss account, statement of comprehensive income, cash flow statement, statement of changes in equity and notes to the financial statements and have been prepared under the accrual basis of accounting except for cash flow information.

3.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Company's accounting policies, management has made the following accounting estimates and judgments which are significant to the financial statements:

3.2.1 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

3.2.2 Stock-in-trade - finished goods

The Company's management reviews the net realizable value (NRV) and impairment of finished goods to assess any diminution in the respective carrying values and wherever required, provision for NRV / impairment is made. The difference in provision, if any, is recognized in the future period.

3.2.3 Trade debts and other receivables

Impairment loss against doubtful trade and other debts is made on a judgmental basis, where provision may differ in the future years based on the actual experience. The difference in provision if any, is recognized in the future periods.

3.2.4 Income taxes

In making the estimate for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

3.2.5 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 21.1 to the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

Owned

Property, plant and equipment including leasehold land and all additions are stated at cost less accumulated depreciation except capital work-in-progress which is stated at cost. Cost of property, plant and equipment comprises acquisition cost and directly attributable cost of bringing the assets to its working condition. Borrowing cost including the exchange risk fee in respect of qualifying assets is also capitalized as part of historical cost during the period of activities that are necessary to prepare the asset for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

Depreciation is calculated so as to write-off the assets over their expected economic lives under the diminishing balance method at rates given in note 5 to the financial statements. Depreciation on additions is charged from the month in which they are put to use and on disposals up to the month of disposal.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as other operating income or expense.

Leased

Leased assets in terms of which the Company assumes substantially all the risks and rewards incidental to ownership are capitalized at the inception of the lease at the fair value of leased assets or, if lower, at the present value of the minimum lease payments.

The outstanding obligations under the lease excluding finance charges allocated to future periods are shown as liability. Financial charges are allocated to the accounting periods in a manner so as to provide a constant rate of charge on the outstanding obligation.

Depreciation on leased assets is charged to income on a basis similar to that of owned assets.

Capital work-in-progress

Capital work-in-progress is stated at cost. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

4.2 Impairment of non-financial assets

Assets that are subject to depreciation / amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.3 Investment in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights or common directorship. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the associate after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

4.4 Financial instruments

All financial assets and liabilities are initially measured at fair value, and subsequently re-measured at fair value or amortized cost as the case may be. The Company derecognizes the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

4.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.6 Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If such evidence exists, the recoverable amount of the asset is estimated and impairment losses are recognized as an expense in the profit and loss account.

4.7 Long term deposits

These are stated at amortized cost which represents the fair value of consideration given.

4.8 Stores and spare parts

These are valued at moving weighted average cost except for items-in-transit which are stated at invoice value plus other incidental charges paid thereon up to the balance sheet date. Provision is made for obsolete and slow moving items where necessary and is recognized in the profit and loss account.

4.9 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost is determined as follows:

- Raw and packing materials	moving weighted average cost
- Work-in-process	manufacturing cost
- Finished goods	lower of weighted average cost and net realizable value
- Items in-transit	invoice value plus other charges incurred thereon

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.10 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method, if applicable, less provision for impairment, if any. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and receivables are written off when considered irrecoverable.

4.11 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand and bank balances, short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and running finances under mark up arrangements. In the balance sheet, finances under mark-up arrangements are included in current liabilities.

4.12 Interest / Mark-up bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Loans and borrowings are subsequently stated at amortized cost with any difference between the proceeds (net of transaction cost) and the redemption value recognized in the profit and loss account over the period of the borrowing using the effective interest method.

4.13 Staff retirement benefits - gratuity

The Company operates an unfunded gratuity scheme covering all its permanent employees with one or more years of service with the Company. Provision for gratuity is made to cover obligation under the scheme in respect of employees who have completed the minimum qualifying period. Provisions are based on actuarial recommendations and actuarial gains and losses are amortized over the expected average remaining working lives of employees as allowed under the relevant provision of IAS 19 - Employee Benefits.

4.14 Taxation

Current

The charge for current tax is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any, or in accordance with the final tax regime, where applicable, of the Income Tax Ordinance, 2001 or the minimum tax under section 113 of the Ordinance, whichever is higher.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. The Company takes into account the current income tax law and decisions taken by the taxation authorities.

4.15 Provisions

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

4.16 Trade and other payables

Liabilities for trade and other payables are measured at cost which is the fair value of the consideration to be paid in future for goods and services.

4.17 Revenue recognition

Revenue is recognized when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. It is measured at the fair value of the consideration received or receivable and is reduced for estimated customer returns, rebates / discounts, sales tax and other similar allowances. Revenue is recognized on the following basis:

- Revenue from local sale of goods is recognized when the goods are dispatched and in case of export sales, when the goods are shipped.
- Processing income is recognized when services are rendered.
- Gain and loss on sale of investments is taken to income in the period in which it arises.
- Interest income is recognized on an accrual basis using the effective interest method.
- Dividend income, other than those from investments in associates, are recognized at the time the right to receive payment is established.

4.18 Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those that take a substantial period of time to get ready for their intended use) are capitalized as part of the cost of the relevant asset. All other borrowing costs are charged to income in the period in which they are incurred.

4.19 Foreign currency translation

Transactions in foreign currencies are accounted for in rupee at the rate of exchange prevailing at the date of transaction. Monetary assets and monetary liabilities in foreign currencies as at the balance sheet date are expressed in rupee at rates of exchange prevailing on that date except where forward exchange cover is obtained for payment of monetary liabilities, in which case the contracted rates are applied. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences are taken to the profit and loss account.

4.20 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

4.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker for allocating resources and assessing performance of the operating segments.

4.22 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in the period in which it is approved by the shareholders.

4.23 Related parties transactions

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

5 PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
		Rupees	
Operating assets	5.1	2,489,890,683	2,270,610,246
Capital work in progress - at cost	5.4	164,985,180	105,064,532
		2,654,875,863	**2,375,674,778**

5.1 The following is a statement of operating assets:

	Owned assets								Leased assets			
	Leasehold land	Building on leasehold land	Plant and machinery	Furniture and fittings	Equipment	Computers	Vehicles	Sub-total	Plant and machinery	Vehicles	Sub-total	Grand total
As at June 30, 2010												
Cost	81,750,355	308,838,282	2,043,561,617	23,759,710	25,832,008	7,713,709	54,480,819	2,545,936,500	16,991,527	35,319,900	52,311,427	2,598,247,927
Accumulated depreciation	(4,215,307)	(110,192,928)	(804,799,622)	(8,783,334)	(10,305,820)	(4,741,626)	(30,442,827)	(973,481,464)	(3,207,526)	(9,503,015)	(12,710,541)	(986,192,005)
Net book amount	**77,535,048**	**198,645,354**	**1,238,761,995**	**14,976,376**	**15,526,188**	**2,972,083**	**24,037,992**	**1,572,455,036**	**13,784,001**	**25,816,885**	**39,600,886**	**1,612,055,922**
Year ended June 30, 2011												
Opening net book amount	77,535,048	198,645,354	1,238,761,995	14,976,376	15,526,188	2,972,083	24,037,992	1,572,455,036	13,784,001	25,816,885	39,600,886	1,612,055,922
Additions	28,909,249	165,884,141	438,796,662	3,106,124	8,888,646	1,651,014	25,701,500	672,937,336	205,455,832	12,657,000	218,112,832	891,050,168
Transfer between owned and leased assets												
Cost	-	-	(11,108,473)	-	-	-	13,289,400	2,180,927	11,108,473	(13,289,400)	(2,180,927)	-
Accumulated depreciation	-	-	(3,611,870)	-	-	-	(7,036,579)	(10,648,449)	3,611,870	7,036,579	10,648,449	-
	-	-	(14,720,343)	-	-	-	6,252,821	(8,467,522)	14,720,343	(6,252,821)	8,467,522	-
Disposal												
Cost	(33,362,910)	-	-	-	(3,770)	(55,250)	(12,389,923)	(45,811,853)	-	(1,389,000)	(1,389,000)	(47,200,853)
Accumulated depreciation	177,462	-	-	-	1,451	21,171	7,830,894	8,030,978	-	445,619	445,619	8,476,597
	(33,185,448)	-	-	-	(2,319)	(34,079)	(4,559,029)	(37,780,875)	-	(943,381)	(943,381)	(38,724,256)
Deprecation charge	(1,350,897)	(25,189,593)	(139,026,908)	(1,535,623)	(2,090,606)	(677,929)	(7,245,823)	(177,117,379)	(10,863,837)	(5,790,372)	(16,654,209)	(193,771,588)
Closing net book amount	71,907,952	339,339,902	1,523,811,406	16,546,877	22,321,909	3,911,089	44,187,461	2,022,026,596	223,096,339	25,487,311	248,583,650	2,270,610,246
As at June 30, 2011												
Cost	77,296,694	474,722,423	2,471,249,806	26,865,834	34,716,884	9,309,473	81,081,796	3,175,242,910	233,555,832	33,298,500	266,854,332	3,442,097,242
Accumulated depreciation	(5,388,742)	(135,382,521)	(947,438,400)	(10,318,957)	(12,394,975)	(5,398,384)	(36,894,335)	(1,153,216,314)	(10,459,493)	(7,811,189)	(18,270,682)	(1,171,486,996)
Net book amount	**71,907,952**	**339,339,902**	**1,523,811,406**	**16,546,877**	**22,321,909**	**3,911,089**	**44,187,461**	**2,022,026,596**	**223,096,339**	**25,487,311**	**248,583,650**	**2,270,610,246**
Year ended June 30, 2012												
Opening net book amount	71,907,952	339,339,902	1,523,811,406	16,546,877	22,321,909	3,911,089	44,187,461	2,022,026,596	223,096,339	25,487,311	248,583,650	2,270,610,246
Additions	7,825,050	61,432,741	338,363,276	7,787,387	3,905,232	1,737,579	854,318	421,905,583	-	45,141,142	45,141,142	467,046,725
Written off												
Written off cost	-	-	-	-	-	-	(587,290)	(587,290)	-	-	-	(587,290)
Written off accumulated	-	-	-	-	-	-	507,689	507,689	-	-	-	507,689
	-	-	-	-	-	-	(79,601)	(79,601)	-	-	-	(79,601)

	Owned assets								Leased assets			
	Leasehold land	Building on leasehold land	Plant and machinery	Furniture and fittings	Equipment	Computers	Vehicles	Sub-total	Plant and machinery	Vehicles	Sub-total	Grand total
Transfer between owned and leased assets												
Cost	-	-	(3,461,437)	-	4,443,192	-	1,468,649	2,450,404	-	(2,450,404)	(2,450,404)	-
Accumulated depreciation	-	-	757,858	-	(1,784,396)	-	(493,333)	(1,519,871)	243,247	1,276,624	1,519,871	-
	-	-	(2,703,579)	-	2,658,796	-	975,316	930,533	243,247	(1,173,780)	(930,533)	-
Disposal												
Cost	-	-	-	-	(23,800)	(439,924)	(12,725,212)	(13,188,936)	-	-	-	(13,188,936)
Accumulated depreciation	-	-	-	-	12,989	247,248	7,349,914	7,610,151	-	-	-	7,610,151
	-	-	-	-	(10,811)	(192,676)	(5,375,298)	(5,578,785)	-	-	-	(5,578,785)
Deprecation charge	(1,595,992)	(36,957,053)	(159,886,168)	(1,946,684)	(2,557,430)	(865,966)	(7,672,565)	(211,481,858)	(21,338,227)	(9,287,817)	(30,626,044)	(242,107,902)
Closing net book amount	**78,137,010**	**363,815,590**	**1,699,584,935**	**22,387,580**	**26,317,696**	**4,590,026**	**32,889,631**	**2,227,722,468**	**202,001,359**	**60,166,856**	**262,168,215**	**2,489,890,683**
As at June 30, 2012												
Cost	85,121,744	536,155,164	2,806,151,645	34,653,221	43,041,508	10,607,128	70,092,261	3,585,822,671	233,555,832	75,989,238	309,545,070	3,895,367,741
Accumulated depreciation	(6,984,734)	(172,339,574)	(1,106,566,710)	(12,265,641)	(16,723,812)	(6,017,102)	(37,202,630)	(1,358,100,203)	(31,554,473)	(15,822,382)	(47,376,855)	(1,405,477,058)
Net book amount	**78,137,010**	**363,815,590**	**1,699,584,935**	**22,387,580**	**26,317,696**	**4,590,026**	**32,889,631**	**2,227,722,468**	**202,001,359**	**60,166,856**	**262,168,215**	**2,489,890,683**
Depreciation rate	**1 to 1.2**	**10**	**10 to 33**	**10**	**10**	**20**	**20**		**10**	**20**		

	Note	2012	2011
		Rupees	

5.2 The depreciation expense has been allocated as follows:

	Note	2012	2011
Cost of sales	28	**226,199,944**	181,330,606
Selling and distribution expenses	29	**4,802,222**	3,446,349
Administrative expenses	30	**11,105,736**	8,994,633
		242,107,902	193,771,588

5.3 Following items of property, plant and equipment were disposed off during the year:

	Cost	Accumulated depreciation	Net book amount	Sale proceeds	Gain / (Loss) on disposal	Particulars of buyer
			Rupees			
Owned assets						
By negotiation						
Vehicles						
Honda Civic	1,408,647	923,414	485,233	925,000	439,767	Muhammad Anwar
Honda Civic	555,000	472,073	82,927	225,000	142,073	Shamim Lakha
Suzuki Alto	504,000	373,241	130,759	475,779	345,020	Iqbal Mehmood
Suzuki Alto	504,000	304,027	199,973	465,000	265,027	Muhammad Atif
Suzuki Cultus	544,615	410,740	133,875	460,000	326,125	Muhammad Atif
Suzuki Cultus	600,950	457,605	143,345	450,000	306,655	Shamsul Haq
Suzuki Mehran	408,866	213,695	195,171	396,000	200,829	Adeel Shams
Suzuki Mehran	390,000	263,522	126,478	276,000	149,522	Iqbal Mehmood
Suzuki Mehran	390,000	240,374	149,626	358,779	209,153	Iqbal Mehmood
Suzuki Mehran	393,900	254,958	138,942	342,779	203,837	Iqbal Mehmood
Suzuki Mehran	390,000	250,102	139,898	330,000	190,102	Irfan Lakha
Suzuki Mehran	408,300	232,096	176,204	350,000	173,796	Javed Hashim Meghani
Suzuki Mehran	390,000	263,522	126,478	360,779	234,301	Javed Hashim Meghani
Suzuki Mehran	390,000	263,522	126,478	250,000	123,522	Javed Hashim Meghani
Suzuki Mehran	390,000	263,522	126,478	250,000	123,522	Javed Hashim Meghani
Suzuki Mehran	390,000	240,374	149,626	335,974	186,348	Muhammad Tariq
Suzuki Mehran	408,300	229,109	179,191	371,139	191,948	Noman Hassan Khan
Suzuki Mehran	390,000	250,102	139,898	343,139	203,241	Noman Hassan Khan
Suzuki Mehran	849,000	534,042	314,958	600,999	286,041	Shahid Aziz
Suzuki Mehran	390,000	250,102	139,898	375,000	235,102	Shoukat
Sub-total	**10,095,578**	**6,690,142**	**3,405,436**	**7,941,367**	**4,535,931**	
By insurance claim						
Vehicles						
Toyota Corolla	1,830,000	359,175	1,470,825	1,830,000	359,175	Efu General Insurance Ltd
Suzuki Mehran	529,000	124,734	404,266	529,000	124,734	Efu General Insurance Ltd
Sub-total	**2,359,000**	**483,909**	**1,875,091**	**2,359,000**	**483,909**	
Aggregate of assets disposed off having net book amount below Rs. 50,000 each						
Computers & Equipments	463,730	260,237	203,493	201,481	(2,012)	
Vehicles	270,634	175,864	94,770	130,600	35,830	
Sub-total	**734,364**	**436,101**	**298,263**	**332,081**	**33,818**	
2012	**13,188,942**	**7,610,152**	**5,578,790**	**10,632,448**	**5,053,658**	
2011	47,200,853	8,485,556	38,715,297	83,426,307	44,711,010	

	Note	2012	2011
		Rupees	
5.4 Capital work-in-progress			
Civil works		**152,872,681**	76,090,798
Plant and machinery		**10,254,819**	26,486,953
Equipment and fittings		**1,857,680**	2,486,781
	5.4.1	**164,985,180**	105,064,532
5.4.1 Movement in capital work-in-progress			
Balance as at July 1		**105,064,532**	297,303,671
Additions during the year		**479,234,334**	658,801,515
Transferred to operating assets		**(419,313,686)**	(851,040,654)
Balance as at June 30		**164,985,180**	105,064,532
6 LONG TERM INVESTMENTS - in related parties			
Investment in associated undertakings			
Novelty Enterprises (Private) Limited	6.1	**229,724,069**	229,724,069
The Bank of Khyber	6.2	**879,417,548**	823,475,865
		1,109,141,617	1,053,199,934

6.1 Novelty Enterprises (Private) Limited

The Company holds 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 reporting date of Novelty Enterprises (Private) Limited is June 30.

Total equity / net assets of Novelty Enterprises (Private) Limited) as at June 30, 2012 amounted to Rs. 561.69 million (2011: Rs. 561.722 million based on audited financial statements).

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

6.2 The Bank of Khyber

The Company holds 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. In May 2011, the Bank announced one for five right issue, however, the Company did not exercise its right for this issuance. The Bank concludes its annual financial results on December 31 as required by State Bank of Pakistan for financial institutions. However, respective amounts have been taken from reviewed financial statments for the six-month periods ended June 30, 2012 and June 30, 2011.

The fair value of holding in the Bank as on June 30, 2012 was Rs. 586.78 million (2011: Rs. 335.2 million).

6.3 These investments are accounted for under the equity method. The aggregate amounts of the associates can be summarized as follows:

	The Bank of Khyber		Novelty Enterprises (Private) Limited	
	2012	2011	**2012**	2011
	Rupees		Rupees	
As at July 1	**823,475,865**	711,505,825	**229,724,069**	229,724,069
Share of profit relating to profit and loss account	**44,646,281**	111,970,040	**-**	-
Share of profit relating to other comprehensive income	**11,295,402**		**-**	-
As at June 30	**879,417,548**	823,475,865	**229,724,069**	229,724,069

Summarized financial information in respect of the Company's associates is set out below:

	The Bank of Khyber		Novelty Enterprises (Private) Limited	
	2012	2011	**2012**	2011
	Rupees in 000		Rupees	
Assets	**69,936,402**	601,545,584	561,722,225	561,876,725
Liabilities	**59,027,423**	50,241,393	125,050	100,050
Revenue	**1,156,505**	1,108,271	**-**	-
Profit attributable to the Company	**44,646**	111,970	**-**	-

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 year (2011: Rs. Nil).

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

Novelty Enterprises (Private) Limited has not commenced operations as of the reporting date and hence the investment is stated at cost.

	Note	**2012**	2011
		Rupees	
7 LONG TERM DEPOSITS			
Lease		**31,634,544**	25,804,160
Utilities		**6,787,332**	8,638,392
Others		**4,399,830**	1,576,010
		42,821,706	36,018,562
8 STORES AND SPARE PARTS			
Stores		**33,154,316**	32,482,514
Spare parts		**18,642,090**	9,967,569
Diesel and liquefied petroleum gas		**1,645,589**	-
Others		**797,344**	-
		54,239,339	42,450,083

	Note	2012	2011
		Rupees	

8.1 Provision against slow moving and obsolete stores and spares

	Note	2012	2011
Stores and spare parts - gross	28.3	**56,802,826**	46,556,503
Diesel and liquified petroleum gas		**1,645,589**	-
Others		**797,344**	-
Provision for slow moving spare parts	8.1.1	**(5,006,420)**	(4,106,420)
Store and spare parts - net		**54,239,339**	42,450,083

8.1.1 Reconciliation of provision for slow moving spare parts

	Note	2012	2011
Opening provision		**4,106,420**	3,206,420
Charge for the year	28.3	**900,000**	900,000
Closing provision		**5,006,420**	4,106,420

9 STOCK-IN-TRADE

	Note	2012	2011
Raw materials	9.1 & 28.1	**2,307,076,653**	1,842,948,944
Packing materials	9.1 & 28.2	**483,919,645**	446,751,562
Work-in-process	28	**30,965,507**	56,866,067
Finished goods	9.1 & 28	**1,565,269,929**	1,550,209,926
		4,387,231,734	3,896,776,499

9.1 Raw materials, packing materials and finished goods

	2012		
	Raw materials	**Packing materials**	**Finished goods**
	----------------------	**Rupees**	--------------------
Stock - gross	2,314,843,032	558,339,645	1,565,269,929
Provision for slow moving stock (refer note 9.2)	(7,766,379)	(74,420,000)	-
Stock - net	**2,307,076,653**	**483,919,645**	**1,565,269,929**

9.2 Reconciliation of provision for slow moving stock

	Raw materials	Packing materials	Finished goods
Opening provision	9,971,420	60,020,000	-
Written off (Refer note 28.1)	(2,205,041)	-	-
Charge for the year	-	14,400,000	-
Closing provision	**7,766,379**	**74,420,000**	**-**

Raw materials, packing materials and finished goods

	2011		
	Raw material	Packing material	Finished goods
	----------------------	Rupees	--------------------
Stock - gross	1,852,920,364	506,771,562	1,550,209,926
Provision for slow moving stock	(9,971,420)	(60,020,000)	-
Stock - net	1,842,948,944	446,751,562	1,550,209,926

Reconciliation of provision for slow moving stock

	Raw material	Packing material	Finished goods
Opening provision	9,971,420	42,620,000	-
Charge for the year	-	17,400,000	-
Closing provision	9,971,420	60,020,000	-

		Note	2012	2011
			Rupees	
10	**TRADE DEBTS**			
	Considered good			
	- secured		**23,359,664**	34,736,840
	- unsecured		**554,341,085**	415,670,038
			577,700,749	450,406,878
	Considered doubtful		**15,213,824**	11,613,824
			592,914,573	462,020,702
	Less: Provision for impairment	10.2	**(15,213,824)**	(11,613,824)
			577,700,749	450,406,878

10.1 All the trade debts have been reviewed for indication of impairment. Certain trade debts were found to be impaired and provision has been recorded accordingly. The impaired trade debts are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

		2012	2011
		Rupees	
10.2	**Provision for impairment**		
	As at July 1	**11,613,824**	9,981,148
	Charge for the year	**3,600,000**	3,600,000
	Write-off during the year (against provision)	**-**	(1,967,324)
	As at June 30	**15,213,824**	11,613,824

In addition, some of the unimpaired trade debts are past due as at the reporting date. The aging of trade debts 'past due' but not impaired is as follows:

	Note	2012	2011
		Rupees	
Age analysis			
Not more than 3 months		**100,453,881**	133,475,569
More than 3 months but not more than 6 months		**112,369,029**	58,149,538
More than 6 months but not more than 1 year		**25,266,884**	34,615,728
		238,089,794	226,240,835

		2012	2011
11	**ADVANCES - considered good**		
	Advances to:		
	- employees	**9,005,344**	6,912,861
	- suppliers	**70,869,725**	216,126,550
	- others	**2,028,887**	2,760,927
		81,903,956	225,800,338

11.1 These include advances to employees against salary, for various expenses. These advances are interest free and repayable on monthly basis.

	Note	2012	2011
		Rupees	
12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		**3,968,323**	5,818,900
Short term prepayments		**237,325**	761,519
		4,205,648	6,580,419
13 OTHER RECEIVABLES			
Sales tax		**62,328,065**	131,246,683
Export rebate		**32,160,984**	20,782,483
Collector of customs		**6,033,493**	406,260
Federal excise duty		**679,284**	30,098
Other receivables		**1,789,839**	-
		102,991,665	152,465,524

13.1 All of the other receivables have been reviewed for impairment. No other receivables were found to be impaired.

	Note	2012	2011
		Rupees	
14 ADVANCE TAX - net of provision			
Advance income tax		**150,449,872**	152,343,654
Provision for taxation		**(92,903,036)**	(81,302,898)
		57,546,836	71,040,756
15 CASH AND BANK BALANCES			
Cash in hand		**3,569,959**	1,673,253
Cash with banks in:			
- current accounts		**20,637,681**	19,924,437
		24,207,640	21,597,690

16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012	2011		2012	2011
(Number of shares)				
50,520,750	50,520,750	Ordinary shares of Rs. 10 each fully paid in cash	**505,207,500**	505,207,500

17 CAPITAL RESERVES

	2012	2011
Share premium	**579,265,000**	579,265,000

17.1 This represents share premium @ Rs. 20 per share on right shares issued. This reserve can be utilized by the Company for the purpose specified in section 83(2) of the Companies Ordinance, 1984.

	Note	2012	2011
		Rupees	
18 DIRECTORS' LOAN - subordinated			
Opening balance		**352,151,770**	-
Add: Received during the year		**-**	352,151,770
		352,151,770	352,151,770

18.1 This represents unsecured interest free loans from the directors of the Company. The directors have entered into agreements with the Company and various banks in which they have undertaken to sub-ordinate their loans and their claims over Company's assets.

19 LONG TERM FINANCES - secured

Financier / Facility type	Installments mode	Repayment period	Mark-up	Number of installments	2012	2011
					Rupees	
Loans from banking companies and financial institutions						
Habib Bank Limited						
- Term finance	Monthly	2008-2013	1 month KIBOR + 1.5%	60	**3,703,704**	25,925,926
- Term finance	Monthly	2011-2015	1 month KIBOR + 1.75%	52	**150,000,000**	200,000,000
- Term finance	Quarterly	2012-2017	3 month KIBOR + 1.75%	19	**134,210,526**	-
- Term finance	Monthly	2008-2011	1 month KIBOR + 1%	36	**-**	1,000,000
Bank Al-Habib Limited						
- Term finance	Monthly	2011-2015	3 month KIBOR + 1%	48	**14,083,333**	20,583,333
- Term finance	Quarterly	2007-2012	3 month KIBOR + 1%	20	**-**	5,779,333
- Term finance	Monthly	2011-2015	3 month KIBOR + 1%	48	**12,458,333**	18,208,333
MCB Bank Limited						
- Term finance	Monthly	2011-2015	1 month KIBOR + 1.5%	48	**37,500,000**	52,500,000
United Bank Limited						
- Term finance	Monthly	2006-2012	1 month KIBOR + 1%	60	**-**	17,916,685
- Term finance	Monthly	2009-2012	1 month KIBOR + 1.2%	36	**-**	33,666,666
- Term finance	Monthly	2008-2013	1 month KIBOR + 1.2%	60	**49,999,984**	99,999,988
- Term finance	Monthly	2011-2016	1 month KIBOR + 1%	60	**38,333,325**	47,499,998
- Term finance	Monthly	2008-2013	1 month KIBOR + 1.5%	60	**150,000,000**	300,000,000
Allied Bank Limited						
- Term finance	Monthly	2011-2016	3 month KIBOR + 1.5%	60	**313,333,342**	393,333,333
- Term finance	Monthly	2011-2016	3 month KIBOR + 1.5%	60	**158,333,326**	208,333,330
Pak Brunei Investment Company	Quarterly	2011-2015	3 month KIBOR + 1.5%	18	**66,666,664**	88,888,888
JS Bank Limited	Monthly	2009-2013	1 month KIBOR + 1.25%	42	**7,142,872**	35,714,286
					1,135,765,409	1,549,350,099
Less: Current portion of long term finances shown under current liabilities					**(481,897,741)**	(548,628,586)
					653,867,668	1,000,721,513

19.1 These represent financings 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.

20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Under the agreements, lease rentals are payable in 36 to 60 equal monthly installments. Taxes, repairs, replacement and insurance costs, if any, are borne by the Company. The financings carry mark-up at rates ranging from of 12.75% to 15.53% (2011: 12.25% to 15.50%) per annum approximately which have been used as a discounting factor. The Company has the option to purchase the asset upon completion of the lease period.

The net carrying amount of the assets held under finance lease arrangement is Rs. 262.168 million (2011: Rs. 248.6 million) (refer note 5.1).

These are secured against deposits of Rs 31.635 million (2011: Rs 26.057 million) , title of ownership of leased assets and personal guarantees of the directors of the Company (refer note 7).

The minimum lease payments for which the Company has committed to pay in future under the lease agreements are due as follows:

	2012			2011		
	Minimum lease payments	**Financial charges allocated to future periods**	**Present value of minimum lease payments**	Minimum lease payments	Financial charges allocated to future periods	Present value of minimum lease payments
	(Rupees)					
Up to one year	**78,694,191**	**18,262,158**	**60,432,033**	64,091,692	22,145,620	41,946,072
Later than one year but not later than five years	**138,287,615**	**19,598,637**	**150,323,252**	192,084,277	32,081,402	160,002,875
	216,981,806	**37,860,795**	**210,755,285**	256,175,969	54,227,022	201,948,947

21 DEFERRED LIABILITIES

	Note	2012	2011
		Rupees	
Provision for staff gratuity scheme - unfunded	21.1	**29,999,018**	28,859,654
Deferred tax liability	21.2	**365,888,743**	197,717,255
		395,887,761	226,576,909

21.1 Staff retirement benefits - unfunded

In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2012, using the "Projected Unit Credit Method". Provision has been made in the financial statements to cover obligations in accordance with the actuarial recommendations. Details of significant assumptions used for the valuation and disclosures in respect of above-mentioned schemes are as follows:

	2012	2011
Discount rate (per annum)	**12.5%**	14%
Expected rate of increase in salaries (per annum)	**11.5%**	12%

21.1.1 The amounts recognized in the balance sheet are as follows:

	Note	2012	2011
		Rupees	
Present value of defined benefit obligation		**34,073,599**	27,785,921
Unrecognized actuarial (losses) / gains		**(4,074,581)**	1,073,733
		29,999,018	28,859,654

	Note	2012	2011
		Rupees	

21.1.2 Movements in the net liability recognized in the balance sheet are as follows:

	Note	2012	2011
Balance at beginning of the year		**28,859,654**	27,248,144
Charge for the year	21.1.3	**11,140,912**	9,868,546
Payments during the year		**(10,001,548)**	(8,257,036)
Balance at end of the year		**29,999,018**	28,859,654

21.1.3 The amounts recognized in the profit and loss account against defined benefit scheme are as follows:

	2012	2011
Current service cost	**7,950,991**	7,560,211
Interest cost	**3,189,921**	2,564,247
Actuarial gains recognized	**-**	(255,912)
Charge for the year	**11,140,912**	9,868,546

For the year ending June 30, 2013, expected provisions to the staff retirement benefit scheme is Rs. 10.76 million.

Amounts for the current and previous four years are as follows:

Comparison for five years	**2012**	2011	2010	2009	2008
	Rupees				
Present value of defined benefit obligation	**34,073,599**	27,785,921	22,444,570	18,209,264	14,809,629
Unrecognized actuarial gains / (losses)	**(4,074,581)**	1,073,733	4,803,574	4,235,306	(1,414,145)

	Note	2012	2011
		Rupees	

21.2 Deferred taxation

	2012	2011
Credit balance arising in respect of:		
- accelerated tax depreciation allowances	**457,601,464**	404,010,177
Debit balance arising in respect of:		
- carry forward tax losses	**(56,020,423)**	(166,192,960)
- provision for gratuity	**(10,499,656)**	(10,100,880)
- provision for doubtful debts	**5,324,838**	(4,064,838)
- provision for stock in trade	**(30,517,480)**	(25,934,244)
Deferred tax liability	**365,888,743**	197,717,255

22 TRADE AND OTHER PAYABLES

	Note	2012	2011
Trade creditors		**586,473,447**	931,089,978
Accrued liabilities		**67,877,444**	60,017,742
Advance from directors		**2,123,898**	7,246,293
Workers' profit participation fund	22.1	**37,300,607**	30,447,714
Workers' welfare fund		**13,141,088**	-
Unclaimed dividend		**752,553**	708,350
Other liabilities		**4,420,163**	5,486,813
		712,089,200	1,034,996,890

22.1 Workers' profit participation fund

	Note	2012	2011
Balance at beginning of the year		**30,447,714**	17,108,021
Contribution for the year	31	**34,581,810**	27,895,550
Interest on funds utilized in the Company's business	33	**2,718,797**	1,914,303
		67,748,321	46,917,874
Less: Payments made during the year		**(30,447,714)**	(16,470,160)
Balance at end of the year		**37,300,607**	30,447,714

	Note	2012	2011
		Rupees	
23 ACCRUED MARK-UP			
Accrued mark-up on:			
long term finances - secured		13,021,431	18,703,482
short term finances - secured		105,975,169	76,765,213
		118,996,600	95,468,695
24 SHORT TERM FINANCES - Secured			
From banking companies			
Term finances	24.1	1,849,638,223	1,189,337,764
Export refinances	24.2	310,000,000	310,000,000
Import / Export finances FE-25	24.3	-	432,833,807
Running finance utilized under mark-up arrangements	24.4	1,526,744,982	843,291,441
		3,686,383,205	2,775,463,012

24.1 These represent facilities for term finances arranged from various banks aggregating to Rs. 2,000 million (2011: Rs. 1,265 million). These are secured against pari-passu / ranking hypothecation over stocks and book debts of the Company along with the personal guarantees of the directors. These carry mark-up at the rates ranging from 12.65% to 15.06% per annum (2011: 13.52% to 15.24% per annum).

24.2 These represents facilities for export refinance arranged from various banks aggregating to Rs. 310 million (2011: Rs. 310 million). These are secured against pari-passu hypothecation of stocks and lien on export letters of credits of the Company along with the personal guarantees of the directors. These carry mark-up at the rate of 1% above the SBP rate per annum (2011: 1% above SBP rate per annum).

24.3 The import / export finance facility (FE-25) of Rs. Nil (June 2011: 487 million) was allowed by various banks which were secured against pari-passu / ranking hypothecation of stocks and book debts of the Company, lien on import documents and personal guarantees of the directors. These facilities carried mark-up at the rate ranging from Nil (June 2011: 3.4% to 5% per annum).

24.4 The facilities for running finances available from various banks aggregated to Rs. 1,652 million (2011: Rs. 812 million). These are secured against pari-passu / ranking hypothecation of stocks and book debts and personal guarantees of the directors. These carry mark-up at the rates ranging from 12.79% to 15.54% per annum (2011: 13.29% to 15.52% per annum).

25 Contingencies and commitments

25.1 Contingencies

25.1.1 The Company has two 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 the Company's favour.

25.1.2 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 didn't have any tangible property within the territorial jurisdiction of court at Hub the case has been transferred to the District Judge, Lahore for execution. As the case has been decided in favour of the Company and the debtor is being pursued to pay the decretal amount, the amount due has not been written off.

25.1.3 A suit for Rs. 20 million has been filed against the Company and Lasbella Industrial Estates Development Authority for illegal allotment of Plot No. C-386 Hub Industrial Trading Estate (HITE). 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 the Company's favour.

	Note	2012	2011
		Rupees	
25.2 Commitments			
Outstanding letters of guarantee		76,728,500	56,130,788
Outstanding letters of credit for:			
- capital expenditure		2,373,800	8,584,146
- others (relating to imports)		368,146,440	329,575,539

		Note	Food Segment		Plastic Segment		Total	
			2012	2011	**2012**	2011	**2012**	2011
			------Rupees------					
26	**OPERATING RESULTS**							
	Sales							
	Local sales		**8,944,873,250**	7,563,507,578	**1,110,051,320**	1,073,101,453	**10,054,924,570**	8,636,609,031
	Inter-segment sales		**-**	-	**269,951,956**	177,666,340	**269,951,956**	177,666,340
	Export sales		**968,896,160**	682,649,626	**28,775,681**	73,268,121	**997,671,841**	755,917,747
			9,913,769,410	8,246,157,204	**1,408,778,957**	1,324,035,914	**11,322,548,367**	9,570,193,118
	Less: Sales returns and discounts		**465,908,282**	297,466,642	**4,478,329**	7,873,420	**470,386,611**	305,340,062
			9,447,861,128	7,948,690,562	**1,404,300,628**	1,316,162,494	**10,852,161,756**	9,264,853,056
	Add: Export rebate		**40,015,572**	14,600,587	**962,436**	2,306,461	**40,978,008**	16,907,048
			9,487,876,700	7,963,291,149	**1,405,263,064**	1,318,468,955	**10,893,139,764**	9,281,760,104
	Less: Sales tax		**1,151,262,960**	1,146,376,338	**196,403,132**	202,874,404	**1,347,666,092**	1,349,250,742
			8,336,613,740	6,816,914,811	**1,208,859,932**	1,115,594,551	**9,545,473,672**	7,932,509,362
	Cost of sales	28	**6,680,577,816**	5,544,578,413	**1,034,377,900**	947,196,972	**7,714,955,716**	6,491,775,385
	Gross profit		**1,656,035,924**	1,272,336,398	**174,482,032**	168,397,579	**1,830,517,956**	1,440,733,977
	Selling and distribution expenses	29	**529,987,011**	472,199,778	**10,022,917**	12,385,936	**540,009,928**	484,585,714
	Administrative expenses	30	**73,750,575**	67,048,593	**1,740,305**	2,166,707	**75,490,880**	69,215,300
			603,737,586	539,248,371	**11,763,222**	14,552,643	**615,500,808**	553,801,014
	Operating profit		**1,052,298,338**	733,088,027	**162,718,810**	153,844,936	**1,215,017,148**	886,932,963
	Other operating expense	31					**64,263,684**	30,177,065
	Other operating income	32					**58,635,534**	86,117,712
	Finance cost	33					**624,917,476**	526,742,510
	Share of profit from associate	6.1					**44,646,281**	111,970,040
	Profit before tax						**629,117,803**	528,101,140
	Income tax expense	36					**261,804,705**	222,363,022
	Profit for the year						**367,313,098**	305,738,118
26.1	Segment assets		**6,346,247,010**	5,749,942,396	**1,576,720,308**	1,473,636,391	**7,922,967,318**	7,223,578,787
26.2	Unallocated assets		**-**	-	**-**	-	**1,173,899,435**	1,108,432,674
			6,346,247,010	5,749,942,396	**1,576,720,308**	1,473,636,391	**9,096,866,753**	8,332,011,461
26.3	Segment liabilities		**3,680,413,476**	3,954,369,754	**942,429,991**	43,947,859	**4,622,843,467**	3,998,317,603
26.4	Unallocated liabilities		**-**	-	**-**	-	**2,064,561,207**	2,301,168,071
			3,680,413,476	3,954,369,754	**942,429,991**	43,947,859	**6,687,404,674**	6,299,485,674
26.5	Non-cash items (excluding depreciation)		**9,621,151**	7,072,963	**1,519,761**	2,795,583	**11,140,912**	9,868,546
26.6	Depreciation		**220,198,991**	170,302,006	**21,908,911**	23,469,582	**242,107,902**	193,771,588
26.7	Capital expenditure		**519,825,292**	684,106,397	**7,142,087**	14,695,885	**526,967,378**	698,802,282

26.8 **Inter-segment pricing**

Transactions among the business segments are recorded at estimated cost.

26.9 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

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

		Note	**2012**	2011
			Rupees	
27	**RECONCILIATION OF REPORTABLE SEGMENT SALES, COST OF SALES, ASSETS AND LIABILITIES**			
27.1	**Sales**			
	Total sales for reportable segments	26	**10,893,139,764**	9,281,760,104
	Elimination of inter-segments sales	26	**269,951,956**	177,666,340
	Total sales		**10,623,187,808**	9,104,093,764
27.2	**Cost of sales**			
	Total cost of sales for reportable segments	28	**7,714,955,716**	6,491,775,385
	Elimination of inter-segments purchases	28.2	**269,951,956**	177,666,340
	Total cost of sales		**7,445,003,760**	6,314,109,045
27.3	**Assets**			
	Total assets for reportable segments	26.1	**7,922,967,318**	7,223,578,787
	Administrative capital assets		**64,757,818**	55,232,740
	Long term investment	6	**1,109,141,617**	1,053,199,934
	Total assets		**9,096,866,753**	8,332,011,461
27.4	**Liabilities**			
	Total liabilities for reportable segments	26.3	**4,622,843,467**	3,998,317,603
	Directors loan	18	**352,151,770**	352,151,770
	Deferred liabilities	21.2	**365,888,743**	197,717,255
	Long term finance	38	**1,135,765,409**	1,549,350,099
	Assets subject to finance lease	40	**210,755,285**	201,948,947
	Total liabilities		**6,687,404,674**	6,299,485,674

	Note	Food Segment 2012	Food Segment 2011	Plastic Segment 2012	Plastic Segment 2011	Total 2012	Total 2011
		---Rupees---					
28 COST OF SALES							
Raw materials consumed	28.1	**3,562,589,068**	3,393,256,001	**873,014,926**	809,770,739	**4,435,603,994**	4,203,026,740
Packing materials consumed	28.2	**2,264,007,565**	2,079,666,388	**21,917,356**	21,994,770	**2,285,924,921**	2,101,661,158
Stores and spares consumed	28.3	**86,108,197**	78,159,788	**20,672,695**	15,430,530	**106,780,892**	93,590,318
Salaries, wages and other benefits	28.4	**249,625,926**	192,852,662	**26,986,846**	24,230,078	**276,612,772**	217,082,740
Electricity, gas, fuel and lubricants		**202,510,479**	137,349,028	**58,864,425**	57,479,483	**261,374,904**	194,828,511
Repairs and maintenance		**14,618,215**	10,015,874	**1,872,896**	1,821,212	**16,491,111**	11,837,086
Cold storage - rent & maintenance		**1,600,200**	826,000	**-**	-	**1,600,200**	826,000
Printing and stationery		**303,452**	153,278	**19,308**	4,575	**322,760**	157,853
Insurance		**9,750,943**	7,801,100	**343,900**	1,186,914	**10,094,843**	8,988,014
Rent, rates and taxes		**1,116,666**	1,431,545	**332,750**	313,040	**1,449,416**	1,744,585
Water charges		**3,691,502**	2,895,025	**142,641**	188,294	**3,834,143**	3,083,319
Postage and telephone		**1,478,246**	1,455,953	**169,839**	193,044	**1,648,085**	1,648,997
Travelling and conveyance		**1,279,373**	794,953	**24,510**	144,300	**1,303,883**	939,253
Vehicle running and maintenance		**6,883,484**	5,816,154	**749,171**	681,218	**7,632,655**	6,497,372
Depreciation	5.2	**204,341,881**	157,886,438	**21,858,063**	23,444,168	**226,199,944**	181,330,606
Laboratory expenses		**112,268**	157,195	**-**	-	**112,268**	157,195
Fees and subscription		**953,337**	659,148	**-**	-	**953,337**	659,148
Cartage		**825,366**	866,476	**-**	139,615	**825,366**	1,006,091
Legal and professional charges		**83,000**	69,482	**-**	-	**83,000**	69,482
Procurement expenses		**2,182,425**	1,723,403	**-**	-	**2,182,425**	1,723,403
Other manufacturing expenses		**594,459**	320,953	**(568,381)**	22,982	**26,078**	343,935
		6,614,656,052	6,074,156,844	**1,026,400,945**	957,044,962	**7,641,056,997**	7,031,201,806
Work-in-process at beginning of the year	9	**28,257,072**	8,693,161	**28,608,995**	14,161,921	**56,866,067**	22,855,082
Work-in-process at end of the year	9	**(11,738,801)**	(28,257,072)	**(19,226,706)**	(28,608,995)	**(30,965,507)**	(56,866,067)
		16,518,271	(19,563,911)	**9,382,289**	(14,447,074)	**25,900,560**	(34,010,985)
Cost of goods manufactured		**6,631,174,323**	6,054,592,933	**1,035,783,234**	942,597,888	**7,666,957,557**	6,997,190,821
Stock of finished goods at beginning of the year	9	**1,543,942,677**	1,000,885,686	**6,267,249**	10,866,333	**1,550,209,926**	1,011,752,019
Purchase of finished goods		**100,008,162**	33,042,471	**-**	-	**100,008,162**	33,042,471
Obsolete Stock		**(36,950,000)**	-	**-**	-	**(36,950,000)**	
Stock of finished goods at end of the year	9	**(1,557,597,346)**	(1,543,942,677)	**(7,672,583)**	(6,267,249)	**(1,565,269,929)**	(1,550,209,926)
		49,403,493	(510,014,520)	**(1,405,334)**	4,599,084	**47,998,159**	(505,415,436)
		6,680,577,816	5,544,578,413	**1,034,377,900**	947,196,972	**7,714,955,716**	6,491,775,385

	Note	Food Segment 2012	Food Segment 2011	Plastic Segment 2012	Plastic Segment 2011	Total 2012	Total 2011
		----------Rupees----------					
28.1 Raw materials consumed							
Stock of raw materials at beginning of the year	9.1	1,022,430,881	927,654,499	830,489,483	435,407,724	1,852,920,364	1,363,062,223
Purchases		3,840,882,147	3,477,132,198	1,036,475,772	1,204,852,498	4,877,357,919	4,681,984,696
Cartage inward		22,657,396	14,370,545	-	-	22,657,396	14,370,545
Purchase discount		(283,612)	(3,470,360)	-	-	(283,612)	(3,470,360)
		4,885,686,812	4,415,686,882	1,866,965,255	1,640,260,222	6,752,652,067	6,055,947,104
Written off during the year	9.2	(2,205,041)	-	-	-	(2,205,041)	-
Stock of raw materials at end of the year	9.1	(1,320,892,703)	(1,022,430,881)	(993,950,329)	(830,489,483)	(2,314,843,032)	(1,852,920,364)
		3,562,589,068	3,393,256,001	873,014,926	809,770,739	4,435,603,994	4,203,026,740
28.2 Packing materials consumed							
Stock of packing materials at beginning of the year	9.1	504,689,770	357,387,320	2,081,792	2,215,568	506,771,562	359,602,888
Purchases		2,033,180,279	2,035,863,855	22,216,797	21,824,212	2,055,397,076	2,057,688,067
Cartage inward		28,730	8,100	157,553	158,025	186,283	166,125
Inter-segment purchases		269,949,146	177,666,340	2,808	-	269,951,954	177,666,340
Purchase discount		(2,420,284)	(3,969,457)	(22,025)	(121,243)	(2,442,309)	(4,090,700)
		2,805,427,641	2,566,956,158	24,436,925	24,076,562	2,829,864,566	2,591,032,720
Provision for the year	9.2	14,400,000	17,400,000	-	-	14,400,000	17,400,000
Stock of packing materials at end of the year	9.1	(555,820,076)	(504,689,770)	(2,519,569)	(2,081,792)	(558,339,645)	(506,771,562)
		2,264,007,565	2,079,666,388	21,917,356	21,994,770	2,285,924,921	2,101,661,158
28.3 Stores and spares consumed							
Stock of stores and spares at beginning of the year	8.1	39,625,108	34,443,545	6,931,395	7,425,365	46,556,503	41,868,910
Purchases		91,160,926	82,273,401	24,753,868	14,889,754	115,914,794	97,163,155
Cartage inward		220,970	247,448	8,530	47,110	229,500	294,558
Purchase discounts		(9,211)	(79,498)	(7,868)	(304)	(17,079)	(79,802)
		130,997,793	116,884,896	31,685,925	22,361,925	162,683,718	139,246,821
Provision for the year	8.1.1	900,000	900,000	-	-	900,000	900,000
Stock of stores and spares at end of the year	8.1	(45,789,596)	(39,625,108)	(11,013,230)	(6,931,395)	(56,802,826)	(46,556,503)
		86,108,197	78,159,788	20,672,695	15,430,530	106,780,892	93,590,318

28.4 Salaries, wages and other benefits include Rs. 7.15 million (2011 : Rs. 6.45 million) in respect of staff retirement benefits.

	Note	Food Segment		Plastic Segment		Total	
		2012	2011	2012	2011	2012	2011
		---Rupees---					
29 SELLING AND DISTRIBUTION EXPENSES							
Salaries and other benefits	29.1	159,925,036	149,515,809	4,776,851	4,320,738	164,701,887	153,836,547
Cartage outward		112,372,535	81,161,052	1,900	20,825	112,374,435	81,181,877
Export expenses		52,752,814	29,192,721	536,193	5,203,328	53,289,007	34,396,049
Advertisements		141,956,227	139,388,601	-	9,975	141,956,227	139,398,576
Entertainment		781,690	592,192	117,992	22,781	899,682	614,973
Vehicle running and maintenance		12,369,365	33,007,686	1,119,006	656,327	13,488,371	33,664,013
Printing and stationery		2,143,891	1,898,730	198,470	58,537	2,342,361	1,957,267
Postage and telephone		6,991,412	8,594,261	532,187	467,747	7,523,599	9,062,008
Conveyance and travelling		12,580,803	7,051,084	1,363,477	1,004,480	13,944,280	8,055,564
Samples		1,922,337	1,412,995	-	-	1,922,337	1,412,995
Utilities		5,818,364	4,163,944	82,450	61,037	5,900,814	4,224,981
Repairs and maintenance		748,854	318,196	601,972	105,050	1,350,826	423,246
Rent		8,946,954	7,757,562	294,000	329,216	9,240,954	8,086,778
Depreciation	5.2	4,753,458	3,423,455	48,764	22,894	4,802,222	3,446,349
Insurance		1,342,155	559,406	175,352	100,239	1,517,507	659,645
Fees and subscription		46,000	-	-	-	46,000	-
Miscellaneous		4,535,116	4,162,084	174,303	2,762	4,709,419	4,164,846
		529,987,011	472,199,778	10,022,917	12,385,936	540,009,928	484,585,714

29.1 Salaries and other benefits include Rs. 3.05 million (2011 : Rs. 2.67 million) in respect of staff retirement benefits.

	Note	Food Segment 2012	Food Segment 2011	Plastic Segment 2012	Plastic Segment 2011	Total 2012	Total 2011
30 ADMINISTRATIVE EXPENSES							
Salaries and other benefits including director's remuneration	30.1	38,173,799	31,227,148	1,365,688	1,196,640	39,539,487	32,423,788
Conveyance and travelling		2,809,632	11,305,605	24,910	-	2,834,542	11,305,605
Postage and telephone		2,942,455	2,544,689	61,278	72,854	3,003,733	2,617,543
Printing and stationery		1,941,198	1,779,090	15,289	34,952	1,956,487	1,814,042
Repairs and maintenance		970,338	297,931	-	21,200	970,338	319,131
Electricity and utilities		6,337,295	4,797,809	70,000	-	6,407,295	4,797,809
Insurance		1,767,827	1,710,894	57,252	282,606	1,825,079	1,993,500
Advertisement		166,506	221,766	-	-	166,506	221,766
Entertainment		278,732	121,643	1,650	-	280,382	121,643
Vehicle running and maintenance		3,260,384	1,986,881	92,154	343,935	3,352,538	2,330,816
Rent, rates and taxes		766,700	554,240	-	-	766,700	554,240
Fee and subscription		726,666	490,400	-	212,000	726,666	702,400
Legal and professional charges		2,484,564	994,984	50,000	-	2,534,564	994,984
Depreciation	5.2	11,103,652	8,992,113	2,084	2,520	11,105,736	8,994,633
General meeting expenses		20,827	23,400	-	-	20,827	23,400
		73,750,575	67,048,593	1,740,305	2,166,707	75,490,880	69,215,300

30.1 Salaries and other benefits include Rs. 0.95 million (2011 : Rs. 0.74 million) in respect of staff retirement benefits.

	Note	2012	2011
		Rupees	

31 OTHER OPERATING EXPENSES

	Note	2012	2011
Contribution to:			
- workers' profits participation fund	22.1	34,581,810	27,895,550
- workers' welfare fund		23,703,111	-
Auditors' remuneration	31.1	815,278	866,515
Property, plant and equipment - written off	5.1	79,601	-
Exchange loss		3,310,786	-
Loss on cross currency swap		719,789	-
Donations	31.2	930,000	1,415,000
Other		123,309	-
		64,263,684	30,177,065

31.1 Auditor's remuneration

	2012	2011
- audit fee	600,000	400,000
- fee for half yearly review	70,000	70,000
- fee for other certification	-	15,000
- tax services	-	275,000
- out-of-pocket expenses	145,278	106,515
	815,278	866,515

31.2 None of the directors or their spouses had any interest in the donees.

32 OTHER OPERATING INCOME

Income from non-financial assets

	Note	2012	2011
Recovery from sale of production scrap		24,503,704	20,908,676
Gain on disposal of property, plant and equipment	5.3	5,053,658	44,711,009
Processing income		28,877,752	18,425,011
Exchange gain		-	573,046
Others		200,420	1,499,970
		58,635,534	86,117,712

33 FINANCE COST

	Note	2012	2011
Mark up on:			
- long term finances		195,951,270	188,322,523
- short term finances		392,356,048	308,589,790
Interest on workers' profits participation fund	22.1	2,718,797	1,914,303
Finance charge on finance leases		26,815,787	20,811,269
Bank charges		7,075,574	7,104,625
		624,917,476	526,742,510

34 REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012			2011		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	2,700,000	7,200,000	12,826,401	2,700,000	7,200,000	12,582,125
Gratuity	-	-	827,983	-	-	2,152,319
Reimbursement of expenses						
Utilities	531,586	818,707	-	571,306	809,148	-
Membership fees	168,414	381,293	-	128,694	390,852	-
	3,400,000	8,400,000	13,654,384	3,400,000	8,400,000	14,734,444
Number of persons*	1	3	17	1	3	19

* The Company had disclosed amounts relating to persons having annual gross salary of Rs. 500,000 or more under executives. However, the figure has been updated for executives having annual basic salary of Rs. 500,000 or more.

In addition to the above, Company maintained cars are provided to the chief executive, directors and executives.

34.1 The remuneration has been allocated as follows:

	2012			2011		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Cost of goods sold	-	-	6,552,634	-	-	7,708,463
Selling and distribution expenses	-	-	5,261,009	-	-	5,857,990
Administrative expenses	3,400,000	8,400,000	1,840,741	3,400,000	8,400,000	1,167,991
	3,400,000	8,400,000	13,654,384	3,400,000	8,400,000	14,734,444
Number of persons	1	3	17	1	3	19

35 CLASSIFICATION OF EXPENSES

		2012			
	Note	Local	Export	Common expenses	Total
		Rupees			
Selling and distribution expenses	29	483,614,528	56,395,400	-	540,009,928
Administrative expenses	30	-	-	75,490,880	75,490,880
Finance cost	33	605,534,758	19,382,718	-	624,917,476

		2011			
	Note	Local	Export	Common expenses	Total
		Rupees			
Selling and distribution expenses	29	446,473,317	38,112,397	-	484,585,714
Administrative expenses	30	-	-	69,215,300	69,215,300
Finance cost	33	508,546,666	18,195,844	-	526,742,510

	Note	2012	2011
		Rupees	
36 TAXATION			
Current		**92,903,036**	81,302,898
Prior year		**730,181**	4,287,011
Deferred		**168,171,488**	136,773,113
		261,804,705	222,363,022

36.1 The relationship between accounting profit and tax expense

The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income falls under minimum tax / presumptive tax regime of the Income Tax Ordinance, 2001.

	Note	2012	2011
		Rupees	
37 EARNINGS PER SHARE			
Profit for the year		**367,313,098**	305,738,118
		Number of shares	
Weighted average number of ordinary shares during the year		**50,520,750**	50,520,750
		Rupees	
Basic and diluted - earnings per share		**7.27**	6.05
38 CASH GENERATED FROM OPERATIONS			
Profit before income tax		**629,117,803**	528,101,140
Adjustments for non-cash and other items:			
Depreciation	5.2	**242,107,902**	193,771,588
Property, plant and equipment - written off	5.1	**79,601**	-
Gain on disposal of property, plant and equipment - net	5.3	**(5,053,658)**	(44,711,009)
Provision for staff gratuity scheme - unfunded	21.1	**11,140,912**	9,868,546
Finance cost	33	**624,917,476**	526,742,510
Share of profit from associated undertaking	6.1	**(44,646,281)**	(111,970,040)
Net decrease in working capital	38.1	**(517,432,499)**	(217,588,248)
Cash from operations		**940,231,256**	884,214,487
38.1 Net decrease in working capital			
(Increase) / Decrease in current assets			
Increase in stores and spares		**(11,789,256)**	(3,787,593)
Increase in stock in trade		**(490,455,235)**	(1,192,095,707)
Increase in trade debts		**(127,293,871)**	(59,254,341)
Decrease in advances - considered good		**143,896,382**	83,658,685
Decrease in trade deposits and short term prepayments		**2,374,771**	1,407,229
Decrease / (Increase) in other receivables		**49,473,859**	(106,792,676)
		(433,793,350)	(1,276,864,403)
(Decrease) / Increase in current liabilities			
(Decrease) / Increase in trade and other payables		**(322,951,893)**	312,396,387
Increase in short term finances		**227,466,652**	867,068,237
Advance from customers		**11,846,092**	(120,188,469)
		(83,639,149)	1,059,276,155
Net decrease in working capital		**(517,432,499)**	(217,588,248)

39 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

39.1 Financial instruments by category

	Note	2012	2011
		Rupees	
Financial assets			
Loans and receivables at amortized cost			
Long term deposits	7	**42,821,706**	36,018,562
Trade debts	10	**577,700,749**	450,406,878
Advances - considered good	11	**11,034,231**	9,673,788
Trade deposits	12	**3,968,323**	5,818,900
Other receivables	13	**1,789,839**	-
Cash and bank balances	15	**20,637,681**	19,924,437
Total financial assets		**657,952,529**	521,842,565
Financial liabilities			
Financial liabilities at amortized cost			
Long term finances	19	**1,135,765,409**	1,549,350,099
Liabilities against assets subject to finance lease	20	**210,755,285**	201,948,947
Trade and other payables	22	**712,089,200**	1,034,996,890
Accrued mark-up	23	**118,996,600**	95,468,695
Short term finances	24	**3,686,383,205**	2,775,463,012
Total financial liabilities		**5,863,989,699**	5,657,227,643

Fair value of financial assets and liabilities

The carrying value of all financial assets and financial liabilities reflected in the financial statements approximate their fair values.

39.2 Financial risk management

The board of directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

39.2.1 Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk of the Company arises principally from the trade debts, loans and advances, trade deposits, other receivables and deposits with banks and financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date is as follows:

	Note	**2012**	2011
		Rupees	
Trade debts	10	**577,700,749**	450,406,878
Advances	11	**11,034,231**	9,673,788
Trade deposits	12	**3,968,323**	5,818,900
Other receivables	13	**1,789,839**	-
Bank balances	15	**20,637,681**	19,924,437
		615,130,823	485,824,003

To reduce the exposure to credit risk, the Company has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

Advances recoverable from employees are secured against their retirement benefits.

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit rating.

39.2.2 Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

	Note	Effective rate of interest	Carrying amount	Maturity upto one year	Maturity after one year
		2012			
		--------------------------------Rupees----------------------------			
Financial liabilities					
Interest bearing					
Long term finances - secured	19	17%	1,135,765,409	481,897,741	653,867,668
Liabilities against assets subject to finance lease	20	13%	210,755,285	60,432,033	150,323,252
Short term finances - secured	24	11%	3,686,383,205	3,686,383,205	-
Non - interest bearing					
Trade and other payables	22	-	712,089,200	712,089,200	-
Accrued mark-up	23	-	118,996,600	118,996,600	-
			5,863,989,699	**5,059,798,779**	**804,190,920**
		2011			
Financial liabilities					
Interest bearing					
Long term finances - secured	19	13%	1,549,350,099	548,628,586	1,000,721,513
Liabilities against assets subject to finance lease	20	13%	201,948,947	41,946,072	160,002,875
Short term finances - secured	24	14%	2,775,463,012	2,775,463,012	-
Non - interest bearing					
Trade and other payables	22	-	1,034,996,890	1,034,996,890	-
Accrued mark-up	23	-	95,468,695	95,468,695	-
			5,657,227,643	4,496,503,255	1,160,724,388

39.2.3 Market risk

Market risk is the risk that fair value of future cash flows of the financial instrument may fluctuate as a result of changes in market prices. Market prices comprise three types of risk namely currency risk, interest rate risk and other price risk.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of financial asset or a liability may fluctuate due to changes in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company primarily has foreign currency exposures in US Dollars.

As at 30 June 2012, if the Pakistani Rupee had weakened / strengthened by 10% against the US Dollar with all other variables being constant, profit before tax for the year would have been lower / higher by Rs. 2.34 million (2011: Rs. 56.58 million) mainly as a result of foreign exchange gains / losses on translation of dollar denominated financial assets.

b) Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument may fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks, running finance facilities and finance leases. At the balance sheet date the interest rate profile of the Company's mark-up bearing financial instruments is as follows:

	Carrying amount	
	2012	2011
	Rupees	
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**(5,032,903,899)**	(4,526,762,057)
	(5,032,903,899)	(4,526,762,057)

As at 30 June 2012, if KIBOR had been 100 bps lower / higher with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 50.33 million. (2011: Rs. 45.26 million) mainly because of higher / lower interest expense on variable rate instruments.

40 CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue bonus / right shares.

The Company's capital includes share capital, unappropriated profit and reserves. As at balance sheet date the capital of the Company is as follows:

	2012	2011
	Rupees	
Share capital	**505,207,500**	505,207,500
Capital reserves	**579,265,000**	579,265,000
Unappropriated profit	**1,324,989,579**	948,053,287
	2,409,462,079	2,032,525,787

41 PLANT CAPACITY AND ANNUAL PRODUCTION

	2012 M.Ton		2011 M.Ton	
	Rated Capacity	**Actual Production**	Rated Capacity	Actual Production
Food Processing	**72,750**	**51,225**	69,780	47,292
Plastic Film	**5,500**	**5,715**	5,500	5,350

Reason for shortfall

The shortfall in capacity utilization in food processing segment is due to normal stoppages and during the year few candy and biscuits machines were installed and hence, did not give full year's production.

42 Transaction with related parties

The related parties includes of directors of the Company associated companies, companies where directors also hold directorship and key employees. Details of transactions and balances with related parties, other than those which have been specifically discussed elsewhere in these financial statements are as follows:

	2012	2011
	Rupees	
Rent Paid to Chief Executive	1,200,000	710,000
Sale of land to associated undertaking	-	7,500,000
Dividend paid to associated undertaking	783,720	791,950

43 NON - ADJUSTING EVENT AFTER THE BALANCE SHEET

43.1 The board of directors in its meeting held on September 24, 2012 has proposed dividend in respect of the year ended June 30, 2012 of Rs. 2/- per share (2011: Rs. 2 per share). The appropriation will be approved in the forthcoming annual general meeting. The financial statements for the year ended June 30, 2012 do not include the effect of proposed dividend which will be accounted for in the financial statements for the year ending June 30, 2013.

44 DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 24, 2012 by the board of directors of the Company.

45 GENERAL

The figures have been rounded of to the nearest rupee.

MAQSOOD ISMAIL
Chief Executive

MUNSARIM SAIF
Director

PATTERN OF SHAREHOLDING

SHAREHOLDERS STATISTICS AT JUNE 30, 2012

	Number of Shareholders	Shareholdings From		Shareholdings To	Total Number of Shares Held
	1147	1	-	100	19,891
	148	101	-	500	42,732
	32	501	-	1000	25,944
	56	1001	-	5000	125,909
	8	5001	-	10000	56,687
	4	10001	-	15000	49,163
	2	20001	-	25000	41,752
	1	30001	-	35000	34,794
	1	95001	-	100000	98,700
	1	185001	-	190000	185,400
	1	305001	-	310000	308,131
	1	315001	-	320000	317,620
	1	435001	-	440000	435,400
	1	445001	-	450000	450,000
	1	495001	-	500000	499,900
	1	505001	-	510000	510,000
	3	625001	-	630000	1,877,384
	1	645001	-	650000	647,075
	1	1900001	-	1905000	1,905,000
	1	2350001	-	2355000	2,353,176
	1	4790001	-	4795000	4,793,141
	1	6065001	-	6070000	6,068,683
	1	10260001	-	10265000	10,264,575
	1	19405001	-	19410000	19,409,693
Total	**1416**				**50,520,750**

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
CEO,Directors their Spouses & Children	12	49,689,478	98.35%
Associated Company	1	435,400	0.86%
Modarabas & Mutual Funds	1	10	0.00%
Foreign Companies	1	3,300	0.01%
Others	6	7,763	0.02%
General Public	1395	384,799	0.76%
Total	**1416**	**50,520,750**	**100.0%**

PATTERN OF SHAREHOLDING
AT JUNE 30, 2012

Shareholder Category	Number of Shareholders	Number of Share Held	Percentage
Associated Company:			
Uniron Industries (Private) Limited	1	435,400	0.862
Directors:			
Mr. Miftah Ismail	1	10,911,650	21.598
Mr. Munsarim Saif	1	500	0.001
Ms. Uzma Dawood	1	626,382	1.240
Ms. Rashida Iqbal	1	625,751	1.239
Ms. Nafisa Yousuf	1	625,751	1.239
Ms. Anisa Naviwala	1	625,751	1.239
Chief Executive Officer:			
Mr. Maqsood Ismail	1	24,202,834	47.907
Chairman:			
Mr. Muhammad M. Ismail	1	8,421,859	16.670
CEO, Directors their Spouses & Children:			
Ms. Reema Miftah W/o. Miftah Ismail	1	499,900	0.989
Ms. Farzana Muhammad W/o. Mr. Muhammad M. Ismail	1	608,700	1.205
Ms. Almas Maqsood W/o. Mr. Maqsood Ismail	1	635,400	1.258
Mr. Asad Iqbal S/o. Rashida Iqbal	1	1,905,000	3.771
General Public	1395	384,799	0.762
Others	8	11,073	0.022
Total	**1416**	**50,520,750**	**100.000**

Shareholders holding 5% or more voting interest

Mr. Muhammad M. Ismail	1	8,421,859	16.670
Mr. Maqsood Ismail	1	24,202,834	47.907
Mr. Miftah Ismail	1	10,911,650	21.598

STATEMENT SHOWING SHARES PURCHASE AND SALE BY DIRECTORS, EXECUTIVE THEIR SPOUSES & CHILDREN

FROM JULY 01, 2011 TO JUNE 30, 2012

S.no.	Name	Designation	Shares	
			Purchase	Sale
1	Mr. Muhammad M.Ismail	Director	55,872	-

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PROXY FORM

The Secretary/ Registrar

I/We ______________ son/ daughter/ wife of ______________ , shareholder of **Ismail Industries Limited,** holding ________ ordinary shares as per register under Folio No ________ and/or CDC Participant ID ________ and Sub- Account No. ________ hereby appoint ________ (holding ________ ordinary shares in the company as per register under Folio No ________ and/or CDC Participant ID ________ and Sub- Account No. ________) or failing him/her ______________ , (holding ________ ordinary shares in the company as per register under Folio No ________ and/or CDC Participant ID ________ and Sub- Account No. ________) as my/ our proxy, to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on October 24, 2012 and/ or any adjournment thereof.

Signed this ________ day of ________ 2012.

(Signature should agree with the specimen signature registered with the Company)

Sign across Rs. 5/- Revenue Stamp

Signature of Member(s)

Witness 1:

Signature ______________

Name ______________

CNIC # ______________

Witness 2:

Signature ______________

Name ______________

CNIC # ______________

Notes:

1. A proxy need be a member of the Company
2. In order to be valid, this Proxy must be received to our Registrar/Transfer Agents, M/s. THK Associates (Pvt) Ltd. Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi 75530 Pakistan at least 48 hours before the time fixed for the Meeting, duly completed in all respects.
3. CDC Shareholders or their Proxies should bring their original Computerized National Identity Card (CNIC) or original Passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detailed procedure is given in the Notes to the Notice of AGM.

ISMAIL INDUSTRIES LIMITED

Head Office

17 - Bangalore Town, Main 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.
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