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Ismail Industries Limited

COMPANY INFORMATION

Board of Directors

Mr. Muhammad M. Ismail	Chairman
Mr. Maqsood Ismail	Chief Executive
Mr. Miftah Ismail	Executive Director
Mr. Munsarim Saifullah	Executive Director
Ms. Farzana Muhammad	Non-Executive Director
Ms. Almas Maqsood	Non-Executive Director
Ms. Reema Miftah	Non-Executive Director
Mr. Ahmed Muhammad	Non-Executive Director
Mr. Jawed Abdullah	Independent Director

Audit Committee Members

Mr. Jawed Abdullah	Chairman
Mr. Muhammad M. Ismail	Member
Mr. Ahmed Muhammad	Member
Ms. Reema Miftah	Member

Human Resource Committee

Ms. Farzana Muhammad	Chairperson
Mr. Jawed Abdullah	Member
Mr. Maqsood Ismail	Member
Ms. Almas Maqsood	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.

Company Secretary

Mr. Ghulam Farooq

Chief Financial Officer

Mr. Saad Younus

Auditor

Anjum Asim Shahid Rahman.
Chartered Accountants

Tax Advisor

Munaf Yusuf & Co.
Chartered Accountants

Legal Advisor

Farooq Rasheed & Co.

Share Registrar

THK Associates (Pvt.) Limited

Intellectual Property Advisor

Ali Associates

Bankers / Institutions

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

Ismail Industries Limited

DIRECTORS REVIEW

The Directors are pleased to present the reviewed financial statements of the Company for the second quarter and the six months period December 31, 2014. The overall financial performance of the Company for the period under review is summarized below:

Business Review

	December 2014	December 2013	Change In %
	PKR Million		
Gross Sales	6,659	5,801	15%
Net Sales	5,688	5,000	14%
Gross Profit	1,142	998	14%
Operating Profit	629	505	25%
% of Net Sales	11%	10%	10%
Profit before tax	273	245	11%
Profit after tax	204	150	36%
% of Net Sales	4%	3%	33%
Earnings per share - Rupees	4.04	2.96	36%

The results in first half of 2014-15 showed our determination to grow your Company profitably and sustainably, allowing us to deliver growth of 15% together with improvements in operating profit margin and earnings per share. This performance reflects a focus both on our shorter-term performance-seeking to grow faster than our markets - and on the longer-term - making the right decisions to ensure sustainable profitable growth into the future. Our financial success depends on our ability to correctly predict, identify, and interpret changes in consumer preferences and demand, to offer new products to meet those changes, and to respond to competitive innovation.

We have many iconic brands with long-standing consumer recognition. Our success depends on our ability to maintain brand image for our existing products, extend our brands to new platforms, and expand our brand image with new product offerings. We seek to maintain, extend, and expand our brand image through marketing investments, including advertising and consumer promotions, and product innovation.

Your Company has intention to increase its voting and equity interest in the Bank of Khyber upto 24.50% for which approvals have already been obtained from shareholders and also from Regulatory Authorities, prior to this it holds 8.61%. Subsequent to Balance Sheet date, the Company has acquired 12.81% further 128,146,421 shares of the Bank of Khyber.

Each period is a challenge in its own way, and December, 2014 was no different. We will continue to be disciplined in driving our performance in line with the profitable growth and resource efficiency in the remaining period of 2014-15. We therefore expect that 2014-15 annual performance would be much better to last year and further again weighted.

On behalf of our Board of Directors, we would like to thank our shareholders for their loyalty to our Company. Our people are our strength and competitive advantage, and we would also like to thank everyone for their great efforts in contributing to half year progress of the Company.

On behalf of the Board of Directors

(Maqsood Ismail)
Chief Executive

Karachi: February 25, 2015

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of Ismail Industries Limited (the Company) as at December 31, 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and selected explanatory notes to the condensed interim financial information for the six-month period ended (herein after referred to as the "condensed interim financial information"). Management of the Company is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with the approved accounting standards applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six-month period ended December 31, 2014 is not prepared in all material respects, in accordance with approved accounting standards as applicable in Pakistan for the condensed interim financial reporting.

Other matter

The figures for the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2014 and December 31, 2013 have not been reviewed, as we are required to review only cumulative figures for the six-month period ended December 31, 2014.

Karachi
Date: February 25, 2015

Anjum Asim Shahid Rahman
Chartered Accountants
Shahzada Saleem Chughtai

**CONDENSED INTERIM
FINANCIAL INFORMATION
(UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED
DECEMBER 31, 2014**

Ismail Industries Limited

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2014

	Note	Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	5	4,242,560,845	3,842,814,891
Long-term investments	6	1,321,272,830	1,315,371,870
Long-term deposits		56,850,030	52,788,247
Total non-current assets		5,620,683,705	5,210,975,008
Current assets			
Stores and spares	7	81,325,075	71,759,076
Stock-in-trade	8	5,123,882,439	4,998,983,520
Trade debts	9	743,954,132	889,717,175
Advances - considered good		87,789,366	101,205,657
Short term investment	10	40,864,380	-
Trade deposits and short-term prepayments		35,602,298	8,036,058
Other receivables		28,030,248	30,840,582
Taxation - net		212,851,408	263,935,133
Cash and bank balances	11	55,357,534	23,598,944
Total current assets		6,409,656,880	6,388,076,145
Total assets		12,030,340,585	11,599,051,153
EQUITY AND LIABILITIES			
Shareholders' equity			
Authorised share capital			
100,000,000 (June 30, 2014: 100,000,000) ordinary share of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital			
50,520,750 (June 30, 2014: 50,520,750) ordinary shares of Rs.10 each full paid in cash		505,207,500	505,207,500
Capital reserve		579,265,000	579,265,000
Unappropriated profit		2,353,331,411	2,168,661,763
Total shareholders' equity		3,437,803,911	3,253,134,263
Non-current liabilities			
Directors' loan - subordinated	12	352,151,770	352,151,770
Long-term finances - secured	13	1,936,828,833	1,766,548,890
Liabilities against assets subject to finance lease		99,012,796	105,548,893
Deferred liabilities		558,740,537	580,263,850
Total non-current liabilities		2,946,733,936	2,804,513,403
Current liabilities			
Trade and other payables	14	320,449,237	508,752,407
Accrued mark-up		102,736,222	108,807,792
Short-term finance - secured	15	4,250,202,052	4,069,767,289
Current portion of:			
- long-term finances - secured	13	841,686,552	729,765,756
- liabilities against assets subject to finance lease		49,514,690	56,078,661
Advance from customers		81,213,985	68,231,582
Total current liabilities		5,645,802,738	5,541,403,487
Total liabilities		8,592,536,674	8,345,916,890
Contingencies and commitments	16		
Total equity and liabilities		12,030,340,585	11,599,051,153

The annexed selected notes from 1 to 22 form an integral part of this condensed interim financial information.

MAQSOOD ISMAIL
Chief Executive Officer

MUNSARIM SAIFULLAH
Director

Ismail Industries Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE SIX-MONTHS PERIOD ENDED DECEMBER 31, 2014

	Note	Six-month period ended		Quarter ended	
		December 31, 2014 Rupees	December 31, 2013 Rupees	December 31, 2014 Rupees	December 31, 2013 Rupees
Sales		6,658,921,195	5,801,002,567	3,692,088,523	3,246,513,127
Sales tax		(970,928,228)	(801,188,521)	(552,247,254)	(461,669,508)
Net sales		5,687,992,967	4,999,814,046	3,139,841,269	2,784,843,619
Cost of sales		(4,545,541,003)	(4,002,299,015)	(2,525,209,199)	(2,201,347,620)
Gross profit		1,142,451,964	997,515,031	614,632,070	583,495,999
Selling and distribution expenses		(448,878,891)	(440,000,741)	(226,569,977)	(268,328,508)
Administrative expenses		(64,476,161)	(52,048,215)	(34,571,198)	(28,294,392)
		(513,355,052)	(492,048,956)	(261,141,175)	(296,622,900)
Operating profit		629,096,912	505,466,075	353,490,895	286,873,099
Other expenses		(33,050,468)	(27,084,091)	(21,857,476)	(23,325,379)
		596,046,444	478,381,984	331,633,419	263,547,720
Other income		33,089,147	36,678,237	21,442,836	32,513,495
		629,135,591	515,060,221	353,076,255	296,061,215
Finance cost		(373,019,558)	(291,661,730)	(196,078,595)	(129,180,275)
		256,116,033	223,398,491	156,997,660	166,880,940
Share of profit from associate		16,575,432	21,833,063	16,575,432	-
Profit before income tax		272,691,465	245,231,554	173,573,092	166,880,940
Income tax expense		(68,433,831)	(95,604,160)	(42,025,073)	(74,564,031)
Profit for the period		204,257,634	149,627,394	131,548,019	92,316,909
Earnings per share - basic and diluted	17	4.04	2.96	2.60	1.83

The annexed selected notes from 1 to 22 form an integral part of this condensed interim financial information.

MAQSOOD ISMAIL
Chief Executive Officer

MUNSARIM SAIFULLAH
Director

Ismail Industries Limited

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

Note	Six-month period ended		Quarter ended	
	December 31, 2014 Rupees	December 31, 2013 Rupees	December 31, 2014 Rupees	December 31, 2013 Rupees
Profit for the period	204,257,634	149,627,394	131,548,019	92,316,909
<i>Items to be reclassified to profit and loss account in subsequent periods</i>				
Unrealized diminution on available for sale investment	10.1	(8,071,087) -	(9,350,662) -	-
		(8,071,087)	(9,350,662)	-
Share of other comprehensive income from associated undertaking		(11,860,524)	(11,860,524)	-
Impact of deferred tax		1,186,052	1,186,052	-
	6.3	(10,674,472)	(10,674,472)	-
Other comprehensive income - net of tax		(18,745,559)	(20,025,134)	-
Total comprehensive income for the period		185,512,075	111,522,885	92,316,909

The annexed selected notes from 1 to 22 form an integral part of this condensed interim financial information.

MAQSOOD ISMAIL
Chief Executive Officer

MUNSARIM SAIFULLAH
Director

Ismail Industries Limited

CONDENSED STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE SIX-MONTHS PERIOD ENDED DECEMBER 31, 2014

	Note	December 31, 2014 Rupees	December 31, 2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	18	352,506,771	1,585,434,793
Gratuity paid		(4,602,507)	(3,064,391)
Taxes paid		(54,338,201)	(123,794,378)
Payment of long-term deposits		(4,061,783)	(14,167,760)
Net cash generated from operating activities		289,504,280	1,444,408,264
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(575,748,971)	(709,845,343)
Purchase of short term investment		(48,935,467)	-
Proceeds from disposal of property, plant and equipment		436,000	2,693,110
Net cash used in investing activities		(624,248,438)	(707,152,233)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Rentals paid) / lease obtained		(13,100,068)	107,655,094
Dividends paid		(609,963)	(437,737)
Long-term finance less repayments		282,200,739	(96,928,774)
Financial charges paid		(379,091,128)	(316,195,148)
Net cash used in financing activities		(110,600,420)	(305,906,565)
Net (decrease)/increase in cash and cash equivalents		(445,344,578)	431,349,466
Cash and cash equivalents at the beginning of the period		(487,994,721)	(1,303,018,041)
Cash and cash equivalents at the end of the period	19	(933,339,299)	(871,668,575)

The annexed selected notes from 1 to 22 form an integral part of this condensed interim financial information.

MAQSOOD ISMAIL
Chief Executive Officer

MUNSARIM SAIFULLAH
Director

Ismail Industries Limited

CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2014

	Issued, subscribed and paid up capital	Capital Reserve Share premium	Unappropriated profit	Share holders' equity
	Rupees			
Balance as at June 30, 2013	505,207,500	579,265,000	1,705,240,936	2,789,713,436
Total comprehensive income for the six-month period ended December 31, 2013	-	-	110,953,592	110,953,592
Transactions with owners				
Cash dividend paid for the year ended June 30, 2013 @ Rs. 2.25 per share	-	-	(872,127)	(872,127)
Balance as at December 31, 2013	505,207,500	579,265,000	1,815,322,401	2,899,794,901
Balance as at June 30, 2014	505,207,500	579,265,000	2,168,661,763	3,253,134,263
Total comprehensive income for the six-month period ended December 31, 2014	-	-	185,512,075	185,512,075
Transactions with owners				
Cash dividend paid for the year ended June 30, 2014 @ Rs. 2.25 per share	-	-	(842,427)	(842,427)
Balance as at December 31, 2014	505,207,500	579,265,000	2,353,331,411	3,437,803,911

The annexed selected notes from 1 to 22 form an integral part of this condensed interim financial information.

MAQSOOD ISMAIL
Chief Executive Officer

MUNSARIM SAIFULLAH
Director

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTHS PERIOD ENDED DECEMBER 31, 2014

1 LEGAL STATUS AND OPERATIONS

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

2 STATEMENT OF COMPLIANCE

This condensed interim financial statements of the Company for the six month period ended December 31, 2014 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

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

This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2014.

This condensed interim financial information is un-audited and is being submitted to the shareholders as required by Listing Regulations of Karachi and Lahore stock exchanges and under Section 245 of the Companies Ordinance, 1984. The figures for the six-month period ended December 31, 2014 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance and under section 245 of the Companies Ordinance, 1984.

2.1 Basis of measurement

This condensed interim financial information has 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.

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

3 SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

- 3.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2014.
- 3.2 Certain amendments and interpretation to approved accounting standards become effective during period were not relevant to the Company's operation and do not have any impact on the accounting policies of the Company.

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates / judgments and associated assumptions used in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the financial statements of the Company for the year ended June 30, 2014.

Ismail Industries Limited

	Note	December 31, 2014 Rupees	June 30, 2014 Rupees
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.2	3,393,081,554	3,426,596,574
Capital work in progress	5.3	849,479,291	416,218,317
		<u>4,242,560,845</u>	<u>3,842,814,891</u>

5.1 A suit was filed against company in relation to plot No. C-386 Hub Industrial Trading Estate (HITE), please refer note 16.1.3 for details.

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

	Additions (at cost)		Deletions (at net book value)	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	Rupees			
Owned assets				
Building on leasehold land	2,976,991	4,867,604	-	-
Plant and machinery	104,179,090	17,053,522	-	-
Furniture and fittings	413,600	1,569,642	-	-
Equipment	1,936,971	1,137,356	-	-
Computers	645,079	523,580	-	-
Vehicles	21,063,549	13,804,180	241,352	1,622,940
	<u>131,215,280</u>	<u>38,955,884</u>	<u>241,352</u>	<u>1,622,940</u>
Leased assets				
Plant and machinery	-	84,380,645	-	-
Vehicles	11,272,717	7,755,330	-	-
	<u>11,272,717</u>	<u>92,135,975</u>	<u>-</u>	<u>-</u>
	<u>142,487,997</u>	<u>131,091,859</u>	<u>241,352</u>	<u>1,622,940</u>

5.3 Capital work in progress

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

	Additions (at cost)		Transfers (at cost)	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	Rupees			
Civil works	113,352,205	111,642,334	2,976,991	4,867,604
Plant and machinery	425,451,301	592,642,055	104,179,090	101,434,167
Equipments and fixtures	3,964,120	3,566,135	2,350,571	3,230,578
	<u>542,767,626</u>	<u>707,850,524</u>	<u>109,506,652</u>	<u>109,532,349</u>

6 LONG-TERM INVESTMENTS

Investment in associated undertakings

The Bank of Khyber	6.1	1,091,548,761	1,085,647,801
Novelty Enterprises (Private) Limited	6.2	229,724,069	229,724,069
		<u>1,321,272,830</u>	<u>1,315,371,870</u>

Ismail Industries Limited

6.1 The Bank of Khyber

The Company holds 8.6% (June 30, 2014: 8.6%) voting and equity interest in the Bank of Khyber (the Bank). In addition to this, the Company also has representation on the Board of Directors of the Bank. The Bank concludes its annual financial results on December 31 as required by State Bank of Pakistan for financial institutions. However, respective amounts in this condensed interim financial information have been taken from reviewed financial statements of the Bank for the quarter period ended September 30, 2014.

The market value of holding in the Bank as on December 31, 2014 was Rs. 848.58 million (June 30, 2014: Rs. 946.786 million). However, fair value based on price earning ratio as on December 31, 2014 was Rs. 922.08 million (June 30, 2014: Rs. 1035.116 million) and book value as of December 31, 2014 was Rs.1093.86 million (June 30, 2014: Rs. 1,145.286 million).

Subsequent to period end the Company has purchased 128,146,421 shares of Bank of Khyber and therefore, the holding of the Company in Bank of Khyber has increased to 21.42 %.

6.2 Novelty Enterprises (Private) Limited

The Company holds 33% (June 30, 2014: 33%) voting and equity interest in Novelty Enterprises (Private) Limited. The shares of Novelty Enterprises (Private) Limited are not publicly listed on a stock exchange and hence published price quotes are not available. The financial reporting date of Novelty Enterprises (Private) Limited is June 30.

Total equity / net assets of Novelty Enterprises (Private) Limited as at December 31, 2014 based on management accounts amounted to Rs. 561.63 million (2014: Rs. 561.66 million).

However, as per report of an independent valuer, Masud Associates report dated August 12, 2011 fair value of fixed assets of Novelty Enterprises (Private) Limited amounted to Rs. 730.48 million resulting in surplus on fixed assets of Rs. 196.767 million. Revised net assets after the revaluation surplus amounted to Rs. 758.40 million (2013: Rs. 758.43 million). Accordingly, the management is of the view that it would be able to recover carrying value of its investment.

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

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

	The Bank of Khyber		Novelty Enterprises (Private) Limited	
	December 31, 2014	June 30, 2014	December 31, 2014	June 30, 2014
Carrying value at beginning of the period	1,085,647,801	1,009,977,152	229,724,069	229,724,069
Share of profit relating to profit and loss account	16,575,432	106,362,483	-	-
Share of loss relating to other comprehensive income	(10,674,472)	(30,691,834)	-	-
Carrying value at end of the period	<u>1,091,548,761</u>	<u>1,085,647,801</u>	<u>229,724,069</u>	<u>229,724,069</u>

Deferred tax relating to the component of Other Comprehensive Income amounted to Rs. 1,186,052 (June 30, 2014: Rs. 3,410,204).

All transfers of funds to the Company, i.e. distribution of cash dividends, are subject to approval by means of a resolution passed by the shareholders of the associates. The Company has not received any dividend during the period (June 30, 2014: Rs. Nil).

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

Ismail Industries Limited

	Note	December 31, 2014 Rupees	June 30, 2014 Rupees	
7	STORES AND SPARES			
	Stores and spare parts - gross	83,354,718	71,744,160	
	Diesel and liquified petroleum gas	2,542,520	1,759,357	
	Others	2,129,257	4,686,979	
	Provision for slow moving spare parts	(6,701,420)	(6,431,420)	
	Store and spares - net	81,325,075	71,759,076	
7.1	Reconciliation of provision for slow moving spare parts			
	Opening provision	(6,431,420)	(5,906,420)	
	Charge for the period / year	(270,000)	(525,000)	
	Closing provision	(6,701,420)	(6,431,420)	
8	STOCK-IN-TRADE			
	Raw materials	8.1 2,893,009,943	2,815,057,649	
	Packing materials	8.1 571,210,905	551,325,405	
	Work-in-process	26,477,683	50,192,156	
	Finished goods	8.1 1,633,183,908	1,582,408,310	
		5,123,882,439	4,998,983,520	
		December 31, 2014		
		Raw materials	Packing materials	Finished goods
		Rupees		
8.1	Stock-in-trade (gross)	2,906,414,221	728,230,905	1,633,183,908
	Provision for obsolescence			
	- opening	(13,404,278)	(136,820,000)	-
	- (charge) for the year	-	(20,200,000)	-
	- closing	(13,404,278)	(157,020,000)	-
	Stock-in-trade (net)	2,893,009,943	571,210,905	1,633,183,908
		June 30, 2014		
		Raw materials	Packing materials	Finished goods
		Rupees		
	Stock-in-trade (gross)	2,828,461,927	688,145,405	1,582,408,310
	Provision for obsolescence			
	- opening	(13,404,278)	(106,820,000)	-
	- (charge) for the year	-	(30,000,000)	-
	- closing	(13,404,278)	(136,820,000)	-
	Stock-in-trade (net)	2,815,057,649	551,325,405	1,582,408,310
		December 31, 2014 Rupees		June 30, 2014 Rupees
9	TRADE DEBTS			
	Considered good			
	- secured (export debtors)	29,354,050	43,295,802	
	- unsecured	714,600,082	846,421,373	
		743,954,132	889,717,175	
	Considered doubtful	32,314,885	28,264,885	
	Trade debts - gross	776,269,017	917,982,060	
	Provision for doubtful - opening balance	(28,264,885)	(23,314,885)	
	Charge for the year	(4,050,000)	(4,950,000)	
	Provision for doubtful - closing balance	(32,314,885)	(28,264,885)	
	Trade debts - net	743,954,132	889,717,175	

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	Note	December 31, 2014 Rupees	June 30, 2014 Rupees
10 SHORT TERM INVESTMENT			
Available for sale investment	10.1 & 10.2	40,864,380	-
10.1 Unrealized diminution on available for sale investment			
Market value		40,864,380	-
Cost of the investment		(48,935,467)	-
		<u>(8,071,087)</u>	<u>-</u>
10.2 This represents investment in shares of Pakistan Petroleum Limited and includes 181,500 shares which were purchased through book building process from the Government of Pakistan through Privatization Commission of Pakistan.			
11 CASH AND BANK BALANCES		December 31, 2014 Rupees	June 30, 2014 Rupees
Cash in hand		3,347,065	1,663,636
Cash with banks in current accounts		52,010,469	21,935,308
		<u>55,357,534</u>	<u>23,598,944</u>
12 DIRECTORS' LOAN - subordinated			
The Company has obtained interest free loans from its directors. These loans are under advance stage of discussion for conversion to ordinary shares between one to two years from the balance sheet date. The required formalities would be completed once final decision and agreement has been reached.			
13 LONG TERM FINANCES - secured		December 31, 2014 Rupees	June 30, 2014 Rupees
At beginning of the period / year		2,496,314,646	1,648,053,083
Obtained during the period / year		650,833,165	1,413,105,080
Repaid during the period / year		(368,632,426)	(564,843,517)
		<u>2,778,515,385</u>	<u>2,496,314,646</u>
Less: Current maturity		(841,686,552)	(729,765,756)
		<u>1,936,828,833</u>	<u>1,766,548,890</u>
13.1 These represent term finance facilities obtained for property, plant, and equipment. The above mentioned facilities are secured by way of creation of equitable mortgage and first pari-passu / ranking charge over property, plant and equipment of the Company and personal guarantees of the directors. These facilities carry mark-up at the rate ranging from 1 month KIBOR + 1% to 3 month KIBOR + 1.75% except for the facility from Pak Oman Investment Company Limited which carries mark-up at the SBP LTFF rate + 2%.			
14 TRADE AND OTHER PAYABLES	Note	December 31, 2014 Rupees	June 30, 2014 Rupees
Trade creditors		104,016,236	326,363,992
Sales tax payable		102,837,668	43,275,105
Other liabilities		113,595,333	139,113,310
		<u>320,449,237</u>	<u>508,752,407</u>
15 SHORT TERM FINANCES - Secured			
Term finances	15.1	2,881,505,219	3,178,173,624
Export refinances	15.2	380,000,000	380,000,000
Running finance utilized under mark-up arrange	15.3	988,696,833	511,593,665
		<u>4,250,202,052</u>	<u>4,069,767,289</u>

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- 15.1 The facilities for term finances from various banks aggregated to Rs. 3,794 million (June 30, 2014: Rs. 3,884 million). These facilities are secured against pari-passu/ranking hypothecation of stocks, book debts and personal guarantees of the directors. These facilities carry mark-up at the rates ranging from 10.10% to 11.21% per annum (June 30, 2014: 9.08% to 11.29% per annum).
- 15.2 The facilities for export refinance from various banks aggregated to Rs. 380 million (June 30, 2014: Rs. 380 million). These facilities are secured against pari-passu against hypothecation of stocks, lien on export letters of credit and personal guarantees of the directors. These facilities carry mark-up at the rate of 1% (June 30, 2014: 1%) above the State Bank of Pakistan rate per annum.
- 15.3 The facilities for running finances available from various banks aggregated to Rs. 2,475 million (June 30, 2014: Rs. 2,425 million). These facilities are secured against pari-passu/ranking hypothecation of stocks and book debts and personal guarantees of the directors. These facilities carry mark-up at the rates ranging from 10.16% to 11.21% per annum (June 30, 2014: 9.97% to 11.67% per annum).

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

- 16.1.1 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.
- 16.1.2 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.
- 16.1.3 Suit no. 17 of 2009 was filed against the Company and Lasbella Industrial Estates Development Authority (LIEDA) for illegal allotment of Plot No. C-386 Hub Industrial Trading Estate (HITE) which as set aside by the High Court of Balochistan, Quetta and the court of Senior Civil Judge decreed in favor of plaintiff.

The Company has preferred appeal to High Court of Balochistan, Quetta. No provision has been made in these financial statements against this aforementioned suit as the management of the Company, based on the advice of its legal counsel, is of the opinion that the abovementioned judgment is contrary to the facts and law and not based on proper appraisal of evidence and correct appreciation of law. Further, the Company has completed construction and is running factory on the land in dispute, therefore, it is not viable to restore possession of the suit property to the plaintiff and the Company shall contest the case in the higher courts if warranted.

The High Court of Balochistan, Quetta has set aside the case on February 24, 2014 and the case shall start afresh in the next hearing.

Further, in case of any adverse decision, LIEDA would be required to allot alternative plot to the plaintiff and the Company would not be affected by any adverse decision of the Court.

	December 31, 2014 Rupees	June 30, 2014 Rupees
16.2 Commitments		
Outstanding letter of guarantees	<u>209,014,523</u>	<u>135,199,254</u>
Against purchase of shares	<u>-</u>	<u>29,748,500</u>
Outstanding letter of credit for:		
- capital expenditures	<u>191,614,629</u>	<u>113,185,773</u>
- others	<u>375,277,771</u>	<u>482,917,920</u>
Against finance lease agreement	<u>-</u>	<u>3,998,331</u>
Rentals under Ijarah contract		
Not later than one year	<u>44,412,225</u>	<u>44,508,327</u>
Over one year to five years	<u>130,252,062</u>	<u>152,476,241</u>
	<u>174,664,287</u>	<u>196,984,568</u>

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		December 31, 2014	December 31, 2013
17 EARNINGS PER SHARE-Basic and Diluted			
Basic earnings per share			
Profit for the period - Rupees		204,257,634	149,627,394
Weighted average number of shares - Numbers		50,520,750	50,520,750
Earnings per share - Rupees		4.04	2.96
Diluted earning per share			
There is no dilution effect on the basic earning per share of the Company as the Company has no such commitments.			
	Note	December 31, 2014 Rupees	December 31, 2013 Rupees
18 CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES			
Profit before income tax		272,691,465	245,231,554
Adjustments for non-cash and other items:			
Depreciation		175,761,665	135,315,030
Gain on disposal of property, plant and equipment - net		(194,648)	(1,070,170)
Provision for staff retirement gratuity		20,067,289	10,610,432
Share of profit from associated undertaking		(16,575,432)	(21,833,063)
Finance cost		373,019,558	291,661,730
Net (decrease)/increase in working capital	18.1	(472,263,126)	925,519,280
		352,506,771	1,585,434,793
18.1 Working capital changes			
Current assets			
Increase in stores and spares		(9,565,999)	(14,000,297)
Increase in stock-in-trade		(124,898,919)	(220,474,893)
Decrease /(increase) in trade debts		145,763,043	(199,351,305)
Decrease in advances		13,416,291	22,927,764
Increase in trade deposits and short-term prepayments		(27,566,240)	(15,728,023)
Decrease in other receivables		2,810,334	6,162,974
		(41,490)	(420,463,780)
Current liabilities			
(Decrease)/increase in trade and other payables		(188,535,634)	47,193,146
(Decrease)/increase in short-term finances		(296,668,405)	1,277,873,994
Increase in advance from customers		12,982,403	20,915,920
		(472,221,636)	1,345,983,060
Net (Decrease)/increase in working capital		(472,263,126)	925,519,280
19 CASH AND CASH EQUIVALENTS			
Cash and bank balances	11	55,357,534	53,020,079
Running finances under mark-up arrangement	15	(988,696,833)	(924,688,654)
		(933,339,299)	(871,668,575)

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

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

- Food processing
- Plastic film

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

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

	Food Processing				Quarter ended				Half year ended				Total			
	December 31,		December 31,		Plastic Film		Plastic Film		December 31,		December 31,		December 31,		December 31,	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Rupees																
Sales																
Local	3,342,833,293	2,762,352,789	404,631,706	3,166,984,495	5,932,204,377	4,892,131,875	662,768,868	707,562,362	6,594,973,245	5,599,694,237						
Export	124,129,160	152,879,801	-	126,353,238	275,280,457	322,128,465	2,224,078	-	277,504,435	322,128,465						
Export rebates	2,678,562	3,125,663	(1,298)	3,124,365	5,767,486	5,994,633	73,583	(1,298)	5,841,069	5,993,335						
Inter segment sales	3,469,641,015	2,918,338,253	444,867,282	3,356,026,580	6,213,252,320	5,220,254,973	879,899,773	834,490,814	7,093,152,093	6,054,745,787						
Less:																
Sales return and discounts	(118,730,179)	(74,670,233)	(1,805,011)	(76,475,534)	(216,995,600)	(125,008,459)	(2,402,054)	(1,805,011)	(219,397,654)	(126,814,470)						
Sales tax	(602,424,488)	(402,076,337)	(49,822,766)	(461,660,508)	(873,630,978)	(697,038,084)	(97,297,250)	(104,150,437)	(970,928,222)	(801,188,521)						
Net sales	2,848,486,548	2,441,611,393	393,360,429	2,817,881,538	5,122,625,742	4,398,208,430	780,200,469	728,335,366	5,902,826,211	5,126,743,796						
Cost of sales	(2,288,350,215)	(1,905,661,075)	(338,864,492)	(2,234,385,539)	(4,084,449,289)	(3,492,435,495)	(675,024,958)	(636,793,270)	(4,760,374,247)	(4,129,238,765)						
Selling and distribution expenses	(111,783,011)	(258,902,888)	(14,786,966)	(268,326,508)	(425,580,188)	(430,750,426)	(23,398,703)	(19,350,215)	(448,878,891)	(440,000,741)						
Administrative expenses	(34,133,523)	(28,153,570)	(257,873)	(28,299,392)	(4,077,103)	(3,642,809)	(398,058)	(405,406)	(4,416,561)	(52,048,215)						
Segment result	314,109,297	248,893,860	39,451,098	286,873,099	548,514,162	433,379,700	69,621,719	72,086,375	629,096,912	505,466,075						
Unallocated income and expenses																
Other operating income									33,089,147	36,678,237						
Finance cost									(373,019,558)	(291,661,730)						
Other operating expenses									(33,050,468)	(27,084,091)						
Share of profit/(loss) from associated undertakings									16,575,432	21,833,063						
Profit before taxation									272,691,465	245,231,554						
Income tax expense									(68,433,831)	(95,604,160)						
Profit for the period									204,257,634	149,627,394						
20.2 Reconciliation of reportable segment sales and cost of sales																
Sales																
Sales net of sales return and discount																
Total sales for reportable segments																
Add: Sales Tax																
Less: Elimination of inter-segments sales																
Total sales																
Cost of sales																
Total cost of sales for reportable segments																
Elimination of inter-segments purchases																
Total cost of sales																

	Food Segment		Plastic Segment		Total	
	December 31, 2014	June 30, 2014	December 31, 2014	June 30, 2014	December 31, 2014	June 30, 2014
			Rupees			
20.3 Segment assets	9,328,015,227	8,086,076,676	1,282,656,552	2,118,257,987	10,610,671,779	10,204,334,663
20.4 Unallocated assets	-	-	-	-	1,419,668,806	1,394,716,490
	9,328,015,227	8,086,076,676	1,282,656,552	2,118,257,987	12,030,340,585	11,599,051,153
20.5 Segment liabilities	3,948,145,999	3,254,581,995	882,220,397	1,561,277,194	4,830,366,397	4,815,859,189
20.6 Unallocated liabilities	-	-	-	-	3,762,170,277	3,530,057,701
	3,948,145,999	3,254,581,995	882,220,397	1,561,277,194	8,592,536,674	8,345,916,890
20.7 Inter-segment pricing						
	Transactions among the business segments are recorded at estimated cost.					
20.8	The Company's export sales have been primarily made to countries in the Middle East, Africa and South Asia. However, no material amount of export sales have been made to any one or more particular countries.					
20.9	There were no major customers of the Company which formed 10 percent or more of the Company's revenue.					
20.10 RECONCILIATION OF REPORTABLE SEGMENT ASSETS AND LIABILITIES						
20.11 Assets						
Total assets for reportable segments				20.3	10,610,671,779	10,204,334,663
Administrative capital assets					98,395,976	79,344,620
Long term investment				6	1,321,272,830	1,315,371,870
Total assets					12,030,340,585	11,599,051,153
20.12 Liabilities						
Total liabilities for reportable segments				20.5	4,830,366,397	4,815,859,189
Directors loan					352,151,770	352,151,770
Deferred taxation					482,975,636	519,963,731
Long term finance				13	2,778,515,385	2,496,314,646
Liabilities against assets subject to finance lease					148,527,486	161,627,554
Total liabilities					8,592,536,674	8,345,916,890

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21 TRANSACTIONS WITH RELATED PARTIES

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

	December 31, 2014 Rupees	December 31, 2013 Rupees
Transactions		
Rent paid to Chief Executive Officer	<u>825,000</u>	<u>735,000</u>
Plasitflex Films (Private) Limited		
Close family relationship		
- Purchases of packing material	<u>19,016,625</u>	<u>11,821,472</u>
Astro Plastic (Private) Limited		
Common directorship		
- Processing charges	<u>48,067,625</u>	<u>8,021,859</u>
Others		
Remuneration to directors and other key management personnel:		
Chief Executive Officer	1,800,000	1,600,000
Directors	3,000,000	4,000,000
Executives	<u>48,494,796</u>	<u>54,977,040</u>
	<u>53,294,796</u>	<u>60,577,040</u>
	December 31, 2014 Rupees	June 30, 2014 Rupees
Balances		
Creditors - associated company		
At beginning of the period / year	<u>15,603,255</u>	<u>-</u>
Purchases during the period / year	<u>67,084,250</u>	<u>79,535,050</u>
Paid during the period / year	<u>68,938,537</u>	<u>63,931,795</u>
At the end of the period / year	<u>13,748,968</u>	<u>15,603,255</u>
Directors' subordinated - loan		
At beginning of the period / year	352,151,770	352,151,770
Received during the period / year	-	-
Repaid during the period / year	-	-
At the end of the period / year	<u>352,151,770</u>	<u>352,151,770</u>

22 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on 25th February, 2015 by the Board of the Company.

MAQSOOD ISMAIL
Chief Executive Officer

MUNSARIM SAIFULLAH
Director