



DIRECTORS' REVIEW



We are pleased to present un-audited financial results of the Company for six months ended June 30, 2020.

FINANCIAL RESULTS

		Six Months Ended June 30	
		<u>2020</u>	<u>2019</u>
Net Sales	(Rs. Million)	17,125	17,317
Net Income after Tax	(Rs. Million)	2,517	2,347
Earnings per Share	(Rupees)	272.5	254.1

The period under review has remained a very challenging time, not only for the Company but for the country and the world at large owing to COVID 19 pandemic. The Q2 was specifically marked with lock downs, closures of businesses, suspension of orders both export and local and restricted movement of normal business and life activities that had a toll on the economy and the livelihood of people at large. The Government deployed its resources to provide relief to people from low income group by providing cash assistance while incentives were also provided to the Industry that included financial assistance on concessionary interest rates and reduction in the mark-up on loans. We also faced challenges and our volumes dropped significantly in April and May but, by the grace of Almighty Allah and the efforts of the team, despite the above headwinds, we sailed through this difficult time very well. We kept our focus on costs, best and efficient utilization of our plants and ensuring continuity of supplies to our customers mitigating all other challenges. Safety of our people from the effects of COVID 19 remained our number one priority. The Company was able to deliver a 7% growth in net income after tax against the same corresponding period last year.

BUSINESS REVIEW

Business conditions are slowly improving after the lock down forced by the Government during the months of March — May. The business witnessed a sharp decline in volumes across all the segments during this period particularly in the Industrial business. However, timely rebound of industry both at export and domestic fronts gave some relief and strengthened the demand which was drastically slow in April and May. Paper and Corrugation sectors also showed reasonable strength despite COVID19 mainly supported by demand from food, pharma & packaging. Food segment remained relatively better despite closures of restaurants, marriage halls, schools and other social feasts but better demand for confectionery and other food items for household consumption kept some momentum in the sales of liquid glucose, food grade starches and dextrose. Textile sector was most impacted due to total closure of industry and a slow rebound later on.

Demand for Animal Nutrition Ingredients remained slow as well. Poultry remained depressed due to lock downs and decline in demand from hotels/restaurants and catering contractors whereas livestock and aquaculture worked relatively better which compensated some negative demand from poultry segment.

BUSINESS RISKS, CHALLENGES AND FUTURE PROSPECTS

The next coming months will be extremely challenging. The continuity of COVID will be the biggest challenge for the country and the world at large. Further rising cost of utilities and weakening PKR may trigger high inflation that pose a further major risk. Growth revival will depend on expedited implementation of structural reforms and fiscal improvements by the Government under COVID scenario.

Despite some relief in corn price, we are still expecting margins to remain under pressure due to depressed demand, high operational costs of plants running under capacities, rising utilities and input costs and further devaluation of PKR. Our focus would be on driving volumes, tight cost control, process optimization, price rationalization and efficient working capital management.

DIRECTORS' REVIEW

We remain confident that economic prospects will improve in the future and are looking into the rest of the year with optimism and shall continue to embark upon various initiatives to sustain growth and withstand challenges.

ACKNOWLEDGEMENT

The management would like to thank our customers who are the most valued asset of the Company for their loyalty and trust. We also recognize the continued support of our shareholders, bankers and suppliers and our esteemed employees who always work with their full dedication and commitment to deliver exceptional and innovative services to all our business partners.

May Allah give us the courage to face the challenges ahead. Ameen!

On behalf of the Board



Usman Qayyum
Chief Executive &
Managing Director

August 21, 2020

IMPORTANT NOTES TO SHAREHOLDERS

Please go through the following notes. It will be appreciated if you please respond to your relevant portion at the earliest -

CNIC Copy

Members are requested to submit a copy of their valid CNIC (only physical shareholders), if not already provided to the Shares Registrar of the Company. Corporate account holders should submit National Tax Number, if not yet submitted. In case of non-submission of CNIC/NTN Certificate (copy), all future dividends will be withheld.

Dividend Mandate/E-Dividend

In accordance with the provisions of Section 242 of the Companies Act, 2017, a listed company, is required to pay cash dividend to the shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders.

In order to receive dividends directly into their bank account, shareholders are requested to fill in Dividend Mandate Request Form available at the Company's website www.rafhanmaize.com and send it duly signed along with copy of CNIC to the Company's Shares Registrar in case of physical shares. In case the shares are held in CDC, then the Form must be submitted directly to shareholder's broker/participant/CDC Account Services.

In case of non-receipt of the above information, the Company will be constrained to withhold payment of dividend to such shareholders.

Circulation of Annual Audited Financial Statements via CD/USB/DVD

Annual Financial Statements of the Company for the financial year ended December 31, 2019 have been placed on the Company's website: www.rafhanmaize.com

Securities and Exchange Commission of Pakistan (SECP) vide its SRO No.470(I)/2016 dated May 31, 2016 has allowed companies to circulate their Annual Audited Financial Statements along with notice of general meeting to its members through CD/DVD/USB at their registered addresses.

However, shareholders who wish to receive the hard copy of Annual Audited Financial Statements along with notice of general meeting shall have to fill the request form which is available at the Company's website www.rafhanmaize.com and send it to our Shares Registrar or Company Secretary at their respective mailing addresses given at the end of these notes.

Unclaimed Shares/Unpaid Dividend

In compliance of Section 244 of the Companies Act 2017, a Final Notice was given by the Company on March 27, 2018 that the shares of Rafhan Maize Products Co. Limited/dividend declared by the Company, details whereof are appearing on the Company's website www.rafhanmaize.com have remained unclaimed or unpaid for a period of three years from the date these have become due and payable. In case of non-receipt of any claim by the respective shareholders to above referred Final Notice, the Company shall proceed to deposit the unclaimed/unpaid amount with the Federal Government pursuant to the provisions of sub-section 2 of section 244 of the Companies Act, 2017.

IMPORTANT NOTES TO SHAREHOLDERS

Deduction of Income Tax from Dividend under Section 150

Pursuant to the provisions of the Finance Act, 2019, effective July 1, 2019, the rates of deduction of withholding tax from dividend payments under the Income Tax Ordinance have been revised as under:

For filers of income tax returns	15%
For non-filers of income tax returns	30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of any future cash dividend otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as Joint-holder (s) based on their shareholding proportions, in case of joint accounts.

In this regard, all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them, if not provided yet, to our Shares Registrar at the earliest, in writing as follow, otherwise it will be assumed that shares are equally held:

Company Name	Folio/ CDS A/C #	Total Shares	Principal Shareholder		Joint Shareholder	
			Name & CNIC #	Share holding Propor- -tion (No. of Shares)	Name & CNIC #	Share holding Propor- -tion (No. of Shares)

In another clarification by Federal Board of Revenue, valid tax exemption certificate for claim of exemption U/S 150, 151 and 233 of the Income Tax Ordinance, 2001 is required where statutory exemption under Clause 47B of Part-IV of the Second Schedule is available. Such certificate U/S 159(1) of the Income Tax Ordinance, 2001 issued by concerned Commissioner of Inland Revenue is to be produced to avail tax exemption.

For any query/problem/information, the investors may contact the Company and/or the Shares Registrar at the phone numbers/e-mail addresses given at the end of these notes.

The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Shares Registrar M/s FAMCO Associates (Pvt.) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers.

IMPORTANT NOTES TO SHAREHOLDERS

Centralized Cash Dividend Register (CCDR)

Central Depository Company (CDC) has developed Centralized Cash Dividend Register (CCDR), an eServices web portal which would incorporate details pertaining to cash dividends paid, unpaid or withheld by listed companies. The CCDR will help to maintain history of dividends paid to shareholders by listed companies and access of all such information will be provided to the respective shareholders. The web portal will facilitate shareholders of listed companies in retrieving details of cash dividends from the centralized register and using the same for their record purposes.

You may access CCDR via <https://eservices.cdcaccess.com.pk>. In addition, the Dividend / Zakat & Tax Deduction Report can also be obtained directly from your Participant (stock broker) which has been provided to them on their CDS terminals. Moreover, you will also receive a copy of this report on your provided/registered e-mail addresses.

Consent for Video Conference Facility

Members can also avail video conference facility at Lahore and Karachi. In this regard, please fill the following request and submit to registered address of the Company 10 days before holding of general meeting.

If the company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the company will arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

I/We, _____ of _____ being a member of Rafhan Maize Products Co. Limited holder of _____ Ordinary Shares as per Registered Folio No. _____ hereby opt for video conference facility at _____.

Signature of Member

Company Contact:

Mr. Mustafa Kamal Zuberi
Company Secretary
Rafhan Maize Products Co. Limited,
Rakh Canal East Road, Faisalabad.
Tel. No. 041-8540121-23 Ext. 217 & 348
E-mail: corporate@rafhanmaize.com

Shares Registrar:

Mr. Fakhar Abbasi
M/s FAMCO Associates (Pvt.) Ltd.
8-F, Next to Hotel Faran, Nursery
Block-6, PECHS, Shahrah-e-Faisal, Karachi.
Tel. No. 021-34380101-05 Ext. 118
E-mail: info.shares@famco.com.pk

Independent Auditor's Report to the members of Rafhan Maize Products Company Limited Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Rafhan Maize Products Company Limited** ("the Company") as at 30 June 2020 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and notes to the condensed interim financial statements for the six-month period then ended (hereinafter referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements 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 interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarters ended 30 June 2020 and 30 June 2019 in the condensed interim statement of profit or loss and the condensed interim statement of comprehensive income have not been reviewed by us and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditor's report is Fahad Bin Waheed.



KPMG Taseer Hadi & Company
Chartered Accountants

Lahore:
August 28, 2020

CONDENSED INTERIM BALANCE SHEET

As at June 30, 2020 (Un-audited)

	Notes	30, June 2020 (Un-audited)	December 31, 2019 (Audited)
		(Rupees in thousands)	
NON CURRENT ASSETS			
Property, plant and equipment	5	6,491,652	6,607,175
Employees retirement benefits		88,701	88,701
Long term loans		5,716	7,522
Long term deposits		34,844	34,844
		6,620,913	6,738,242
CURRENT ASSETS			
Stores and spares		780,599	820,899
Stock in trade		5,816,028	4,054,883
Trade debts		1,571,063	1,675,573
Loans and advances		127,482	121,794
Short term prepayments		132,096	77,076
Other receivables		80,163	42,469
Cash and bank balances		8,132,290	5,329,222
		16,639,721	12,121,916
CURRENT LIABILITIES			
Current portion of long term financing		61,108	-
Contract liabilities		400,553	227,358
Trade and other payables		4,750,398	2,617,924
Lease liabilities		2,672	5,211
Unpaid dividend		1,209,623	10,344
Unclaimed dividend		14,030	14,057
Mark up accrued		356	1,062
Provision for taxation-net		301,229	310,766
		6,739,969	3,186,722
WORKING CAPITAL		9,899,752	8,935,194
TOTAL CAPITAL EMPLOYED		16,520,665	15,673,436
NON CURRENT LIABILITIES			
Long term financing		183,325	-
Deferred taxation		865,905	871,499
		1,049,230	
NET CAPITAL EMPLOYED		15,471,435	14,801,937
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Share capital		92,364	92,364
Reserves		15,379,071	14,709,573
CONTINGENCIES AND COMMITMENTS	6	15,471,435	14,801,937

The annexed notes I to 16 form an integral part of these accounts.



Muhammad Asdraf
Chief Financial Officer



Usman Qayyum
Chief Executive &
Managing Director



Zulfikar Mannoo
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the six months period ended 30 June 2020 (Un-audited)

	Note	Six months ended		Three months ended	
		30 June 2020	30 June 2019	30 June 2020	30 June 2019
		(Rupees in thousands)			
Revenue	7	17,124,720	17,316,721	7,812,776	8,731,240
Cost of sales	8	(13,014,008)	(13,576,714)	(5,848,121)	(6,775,354)
Gross profit		4,110,712	3,740,007	1,964,655	1,955,886
Distribution expenses	9	(302,668)	(241,839)	(113,382)	(121,423)
Administrative expenses		(294,974)	(285,694)	(148,426)	(141,305)
Other income		227,413	224,778	136,771	164,099
Other operating expenses		(261,020)	(225,732)	(122,532)	(121,704)
		(631,249)	(528,487)	(247,569)	(220,333)
Operating profit		3,479,463	3,211,520	1,717,086	1,735,553
Finance costs		(12,321)	(10,248)	(4,234)	(4,846)
Profit before taxation		3,467,142	3,201,272	1,712,852	1,730,707
Taxation		(950,358)	(854,501)	(454,075)	(469,572)
Profit after taxation		2,516,784	2,346,771	1,258,777	1,261,135
Earnings per share-basic and diluted-(Rupees)		272.48	254.08	136.28	136.54

The annexed notes 1 to 16 form an integral part of these accounts.


Muhammad Asdaf
 Chief Financial Officer


Usman Qayyum
 Chief Executive &
 Managing Director


Zulfikar Mannoo
 Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2020 (Un-audited)

	Six months ended		Three months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	(Rupees in thousands)			
Profit for the period	2,516,784	2,346,771	1,258,777	1,261,135
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>2,516,784</u>	<u>2,346,771</u>	<u>1,258,777</u>	<u>1,261,135</u>

The annexed notes 1 to 16 form an integral part of these accounts.



Muhammad Asdaf
Chief Financial Officer



Usman Qayyum
Chief Executive &
Managing Director



Zulfikar Mannoo
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2020 (Un-audited)

	Share Capital	Capital Reserves		Revenue Reserves		Total
		Share Premium	Other	General	Unappropriated Profit	
		(Rupees in thousands)				
Balance as at 01 January 2019	92,364	36,946	941	207	13,013,821	13,144,279
Total comprehensive income						
Profit for the period	-	-	-	-	2,346,771	2,346,771
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	2,346,771	2,346,771
Transactions with owners of the Company recognized directly in equity						
Final dividend 2018 (Rs. 125.00 per share)	-	-	-	-	(1,154,553)	(1,154,553)
1st interim dividend 2019 (Rs. 100.00 per share)	-	-	-	-	(923,643)	(923,643)
	-	-	-	-	(2,078,196)	(2,078,196)
Balance as at 30 June 2019	92,364	36,946	941	207	13,282,396	13,412,855
Balance as at 01 January 2020	92,364	36,946	941	207	14,671,479	14,801,937
Total comprehensive income						
Profit for the period	-	-	-	-	2,516,784	2,516,784
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	2,516,784	2,516,784
Transactions with owners of the Company recognized directly in equity						
Final dividend 2019 (Rs. 200.00 per share)	-	-	-	-	(1,847,286)	(1,847,286)
Balance as at 30 June 2020	92,364	36,946	941	207	15,340,977	15,471,435

The annexed notes 1 to 16 form an integral part of these accounts.


Muhammad Asdaf
 Chief Financial Officer


Usman Qayyum
 Chief Executive &
 Managing Director


Zulfikar Mannoo
 Director

CONDENSED INTERIM CASH FLOW STATEMENT

For the six months period ended 30 June 2020 (Un-audited)

		Six months ended	
		30 June 2020	30 June 2019
	Note	(Rupees in thousands)	
Cash flows from operating activities			
Cash generated from operations	10	4,131,290	3,387,821
Taxes paid		(965,489)	(954,370)
Employees retirement benefits paid		(34,025)	(28,241)
Interest received		210,060	119,668
		(789,454)	(862,943)
NET CASH GENERATED FROM OPERATING ACTIVITIES		3,341,836	2,524,878
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(127,071)	(189,813)
Sale proceeds from disposal of property, plant and equipment		4,475	20,811
Long term loans disbursed		(1,000)	(2,200)
Receipt of long term loans		3,995	4,867
NET CASH USED IN INVESTING ACTIVITIES		(119,602)	(166,331)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of long term financing		244,433	-
Repayment of lease liability		(2,730)	(2,482)
Dividend paid		(648,033)	(2,094,934)
Finance cost paid		(12,836)	(9,848)
NET CASH USED IN FINANCING ACTIVITIES		(419,166)	(2,107,264)
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,803,068	251,283
Cash and cash equivalents at the beginning of the period		5,329,222	4,262,536
Cash and cash equivalents at the end of the period		8,132,290	4,513,819

The annexed notes I to 16 form an integral part of these accounts.



Muhammad Asdaf
Chief Financial Officer



Usman Qayyum
Chief Executive &
Managing Director



Zulfikar Mannoo
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months period ended 30 June 2020 (Un-audited)

1. Corporate and general information

Rafhan Maize Products Company Limited ('the Company') was incorporated in Pakistan and was subsequently listed on Pakistan Stock Exchange Limited. Ingredion Incorporated Chicago, U.S.A., holds majority shares of the Company. The registered office of the Company is situated at Rakh Canal East Road, Faisalabad. The Company uses maize as the basic raw material to manufacture and sell a number of industrial products, principal ones being industrial starches, liquid glucose, dextrose, dextrin and gluten meals.

2. Basis of preparation

2.1 Statement of compliance

These condensed interim financial statements of the Company have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The condensed interim financial statements does not include information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company for the year ended 31 December 2019.

These condensed interim financial statements are being submitted to the shareholders as required by section 237 of the Companies Act, 2017 and the Rule Book of Pakistan Stock Exchange Limited.

The comparative statement of financial position presented in these condensed interim financial statements has been extracted from the audited annual financial statements of the Company for the year ended 31 December 2019, whereas comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been extracted from the un-audited condensed interim financial statements of the Company for the six months period ended 30 June 2019.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain employee retirement benefits and lease liabilities which are stated at present value.

2.3 Functional and presentation currency

These condensed interim financial statements are presented in Pak Rupees which is also the Company's functional currency.

3. Summary of significant accounting policies

3.1 The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended 31 December 2019.

3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations there to will be effective for accounting periods beginning on or after 01 January 2021.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months period ended 30 June 2020 (Un-audited)

- Amendments to IFRS 16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 01 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves re-measuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as; or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.

The amendment is 'not likely to have an impact on the Company's financial statements:

Classification of liabilities as current or non-current (Amendments to IAS1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The amendment is not likely to have an impact on the Company's financial statements.

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendment is not likely to have an impact on the Company's financial statements.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in, accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendment is not likely to have an impact on the Company's financial statements.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022. The annual improvements are not likely to have an impact on the Company's financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months period ended 30 June 2020 (Un-audited)

- IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 In assessing whether to derecognize a financial liability.
- IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease Incentives.
- IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

4. Accounting estimates, judgements and financial risk management

The preparation of these condensed interim financial statements 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. Actual results may differ from these estimates.

The significant judgments made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements of the Company as at and for the year ended 31 December 2019,

5. Property, plant and equipment

Operating property, plant and equipment
Capital work-in-progress
Right-of-use asset (building)

	30 June 2020 (Un-audited)	31 December 2019 (Audited)
Note	(Rupees in thousands)	
5.1	6,400,163	6,499,682
5.2	89,130	102,775
	2,359	4,718
	<u>6,491,652</u>	<u>6,607,175</u>

- 5.1 This includes the cost of property, plant and equipment that have been added and disposed-off during the period, detail of which is as follows:

Six months ended (Un-audited)			
30 June 2020		30 June 2019	
Additions	Deletions (Rupees in thousands)	Additions	Deletions
Factory building on freehold land	2,691	-	2,192
Plant and machinery	131,784	31,814	17,279
Laboratory equipment	1,767	-	1,661
Furniture and fittings	62	1,293	7,084
Vehicles	3,934	15,325	28,753
Office equipment	478	6,926	3,890
	<u>140,716</u>	<u>55,358</u>	<u>60,859</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months period ended 30 June 2020 (Un-audited)

5.2 Capital work-in-progress

The movement in capital work-in-progress is as follows:

Opening balance

Add: Additions during the period

Less: Transfers during the period

Closing balance

Six months ended (Un-audited)	
30 June 2020 (Rupees in thousands)	30 June 2019 (Rupees in thousands)
102,775	57,761
127,071	189,809
229,846	247,570
(140,716)	(55,358)
89,130	192,212

6. Contingencies and commitments

6.1 Contingencies

There has been no significant change in the status of contingencies as set out in note 21 to the annual financial statements of the Company for the year ended 31 December 2019.

6.2 Commitments

- Commitments in respect of capital expenditure
- Commitments in respect of purchase of corn
- Commitments in respect of forward exchange contracts

(Un-audited)	(Audited)
30 June 2020 (Rupees in thousands)	31 December 2019 (Rupees in thousands)
147,496	3,585
1,652,199	7,006,834
-	88,066

7. Revenue - net

Domestic

Exports

Less:

Sales tax

Trade discount

Revenue from contracts with customers

Six months ended (Un-audited)		Three months ended (Un-audited)	
30 June 2020	30 June 2019	30 June 2020	30 June 2019
(Rupees in thousands)			
18,166,926	18,556,825	8,192,344	9,340,158
1,307,973	1,171,045	685,950	605,856
19,474,899	19,727,870	8,878,294	9,946,014
(2,346,854)	(2,401,715)	(1,063,921)	(1,210,105)
(3,325)	(9,434)	(1,597)	(4,669)
(2,350,179)	(2,411,149)	(1,065,518)	(1,214,774)
17,124,720	17,316,721	(7,812,776)	8,731,240

7.1 Revenue has been recognized at a point in time for both local and export sales made during the period.

8. Cost of sales

Opening stock of finished goods

Cost of goods manufactured

Less: closing stock of finished goods

Cost of goods Sold - own manufactured

Cost of goods Sold - purchased Products

Freight and distribution cost

Cost of goods sold

Six months ended (Un-audited)		Three months ended (Un-audited)	
30 June 2020	30 June 2019	30 June 2020	30 June 2019
(Rupees in thousands)			
2,190,371	1,451,585	2,347,647	1,265,640
12,447,510	13,187,818	5,267,769	6,696,672
14,637,881	14,639,403	7,615,416	7,962,312
(1,910,657)	(1,318,739)	(1,910,657)	(1,318,739)
12,727,224	13,320,664	5,704,759	6,643,573
76,782	73,327	42,000	46,272
210,002	182,723	101,362	85,509
13,014,008	13,576,714	5,848,121	6,775,354

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months period ended 30 June 2020 (Un-audited)

9. Other income

	Six months ended (Un-audited)	
	30 June 2020	30 June 2019
	(Rupees in thousands)	
Mark up income	195,372	125,837
Profit on sale of scrap	25,929	30,791
Gain on sale of property, plant and equipment	4,467	17,842
Foreign exchange gain	-	45,878
Miscellaneous income	1,645	4,430
	227,413	224,778

10. Cash Flows From Operating Activities

	Six months ended (Un-audited)	
	30 June 2020	30 June 2019
	(Rupees in thousands)	
Profit before taxation	3,467,142	3,201,272
Adjustments for:		
Depreciation of property, plant and equipment	242,588	236,799
Provision for employees retirement benefits	34,025	33,889
Provision / (reversal) of doubtful debts	56,103	(20)
Unwinding of lease liability	192	424
Provision for slow moving and obsolete items	15,222	9,945
Gain on disposal of property, plant and equipment	(4,467)	(17,842)
Interest income	(195,372)	(125,837)
Finance cost	12,129	9,824
	160,420	147,182
Cash generated from operations before working capital changes	3,627,562	3,348,454
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	24,735	(85,397)
Stock in trade	(1,762,801)	(1,554,893)
Trade debts	48,407	(422,375)
Loans and advances	(6,877)	(115,906)
Short term prepayments	(55,021)	5)
Other receivables	(52,382)	(27,075)
	(1,801,939)	(2,205,641)
Increase / (decrease) in current liabilities:		
Contract liabilities	173,195	(98,408)
Trade and other payables	2,132,472	2,343,416
	2,305,667	2,245,008
Net increase in working capital	503,728	39,367
Cash generated from operations	4,131,290	3,387,821

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months period ended 30 June 2020 (Un-audited)

11. Transactions with related parties

The related parties comprise parent company, related group companies, local associated company, directors of the Company, key management personnel and staff retirement funds. Details of transactions with related parties, other than those disclosed else where in these financial statements are as follows:

Name of parties	Nature of relationship / association	Basis of relationship / association	Nature and description of related party transaction	Six months ended		Three months ended		Closing balance	
				(Un-Audited)		(Un-Audited)		[asset/ (liability)]	
				June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	December 31, 2019
(Rupees in thousands)									
Parent Company									
Ingredion Inc. U.S.A.	Holding	Shareholding of 71.04%	Services received	106,291	76,902	50,189	53,920	(54,297)	(40,819)
Ingredion Inc. U.S.A.	-do-	-do-	Dividend	1,312,223	1,476,251	1,312,223	656,112	(1,197,404)	-
Ingredion Inc. U.S.A.	-do-	-do-	Imports	47,042	55,206	17,368	25,847	(40,967)	(16,528)
Ingredion Inc. U.S.A.	-do-	-do-	Services provided	676	1,751	676	719	697	-
Associates									
Unilever Pakistan Foods Ltd.	Associate	Common directorship	Sales	849,167	742,087	268,431	307,971	100,067	113,581
Ingredion Holding LLC Kenya	-do-	Group company	Export sales	136,828	374,877	96,002	175,378	110,307	180,908
Ingredion Holding LLC Kenya	-do-	-do-	Services provided	815	2,287	371	1,339	815	856
Ingredion Singapore Pte. Ltd.	-do-	-do-	Export sales	2,096	4,143	2,096	1,765	(13,494)	(12,480)
Ingredion Germany GMBH	-do-	-do-	Imports	5,979	2,060	3,162	-	(3,261)	(4,773)
Ingredion Germany GMBH	-do-	-do-	Export sales	105,914	-	52,339	-	2,735	4,427
Ingredion Germany GMBH	-do-	-do-	Services received	-	106	-	53	(822)	(760)
National Starch & Chemical Thailand	-do-	-do-	Imports	57,095	13,460	22,619	9,177	(14,283)	(6,462)
National Starch & Chemical Thailand	-do-	-do-	Export sales	17,879	40,220	13,246	26,057	8,132	-
Ingredion Malaysia Sdn. Bhd.	-do-	-do-	Export sales	47,436	12,815	22,329	6,942	9,760	5,008
Ingredion China Limited	-do-	-do-	Imports	-	-	-	-	-	(471)
PT Ingredion, Indonesia	-do-	-do-	Export sales	81,406	56,987	45,595	34,313	29,586	21,565
Ingredion UK Limited	-do-	-do-	Export sales	2,336	-	2,336	-	-	-
Ingredion South Africa (PTY) Ltd.	-do-	-do-	Export sales	12,767	-	6,596	-	6,697	-
Other Related Parties									
Employee Benefits	Other	Employee retirement fund	Contribution to funds	60,508	60,460	30,698	29,988	(14,400)	(13,713)
Key Management Personnel	-do-	Key management personnel	Remuneration	193,777	154,819	72,139	67,576	-	-

- No buying and selling commission has been paid to any associated undertaking.

12. Operating segments

12.1) These financial statements have been prepared on the basis of single reportable segment.
12.2) All non current assets of the company as at 30 June 2020 are located in Pakistan.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months period ended 30 June 2020 (Un-audited)

13. Financial risk management

The Company's financial risk management objective and policies are consistent with that disclosed in financial statements as at and for the year 31 December 2019.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (i.e. derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at 30 June 2020						
Carrying amount			Fair value			
Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in thousands)						
Financial assets - not measured at fair value						
Long term loans	12,146	-	12,146	-	-	-
Trade debts	1,571,063	-	1,571,063	-	-	-
Long term deposits	34,844	-	34,844	-	-	-
Other receivables	80,163	-	80,163	-	-	-
Cash and bank balances	8,132,290	-	8,132,290	-	-	-
	9,830,506	-	9,830,506	-	-	-
Financial liabilities - not measured at fair value						
Trade and other payables	-	4,154,760	4,154,760	-	-	-
Mark-up-accrued	-	356	356	-	-	-
Unpaid dividend	-	1,209,623	1,209,623	-	-	-
Unclaimed dividend	-	14,030	14,030	-	-	-
Long term financing	-	244,433	244,433	-	-	-
Lease liabilities	-	2,672	2,672	-	-	-
	-	5,625,874	5,625,874	-	-	-

For the six months period ended 30 June 2020 (Un-audited)

- Long term loans
- Trade debts
- Long term deposits
- Other receivables
- Cash and bank balances

- Trade and other payables
- Mark-up-accrued on short term running finances
- Unpaid dividend
- Unclaimed dividend
- Lease liabilities

31 December 2019						
Carrying amount			Fair value			
Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in thousands)				
15,141	-	15,141	-	-	-	-
1,675,573	-	1,675,573	-	-	-	-
34,844	-	34,844	-	-	-	-
42,469	-	42,469	-	-	-	-
5,329,222	-	5,329,222	-	-	-	-
7,097,249	-	7,097,249	-	-	-	-
-	2,154,441	2,154,441	-	-	-	-
-	1,062	1,062	-	-	-	-
-	10,344	10,344	-	-	-	-
-	14,057	14,057	-	-	-	-
-	5,211	5,211	-	-	-	-
-	2,185,115	2,185,115	-	-	-	-

These un-audited condensed interim financial statements were authorized for issue by the Board of Directors on August 21, 2020.

The Directors in their meeting held on August 21, 2020 have proposed first interim cash dividend for the period ended 30 June 2020 of Rs. 150 per share, amounting to Rs. 1,385,464 thousands. These condensed interim financial statements for the period ended 30 June 2020 do not include the effect of the above interim cash dividend which will be accounted for in the period in which it is declared.

Figures in these accounts have been rounded off to the nearest thousand of rupees.

Muhammad Asdaf
Chief Financial Officer

Usman Qayyum
Chief Executive &
Managing Director

Zulfikar Mannoo
Director

COMPANY INFORMATION



Plants:

Rakh Canal Plant

Rakh Canal East Road, Faisalabad-38860.
Ph: (92-41) 8540121-22-23
Fax: (92-41) 8711016 - 8502197

Cornwala Plant

5-Km Jaranwala-Khurrianwala Road,
Jaranwala - 37250.
Ph: (92-41) 4710121 & 23-27

Mehran Plant

K.B. Feeder Road, Kotri,
Jamshoro-76090.
Ph: (92-223) 870894-98

Board Of Directors

Pierre Perez y Landazuri Non-Executive
Chairman

Usman Qayyum Executive
Chief Executive & Managing Director

Members:

James D. Gray	Non-Executive
Janet Merritt Bawcom	Non-Executive
Marcel Hergett	Non-Executive
Zulfikar Mannoo	Non-Executive
Mian M. Adil Mannoo	Non-Executive
Wisal A. Mannoo	Non-Executive
Muhammad Asdaf	Executive
Tabish Gauhar	Independent & Non-Executive
Tahir Jawaid	Independent & Non-Executive

Chief Financial Officer

Muhammad Asdaf

Secretary

Mustafa Kamal Zuberi

Audit Committee

Tabish Gauhar	Chairman
James D. Gray	Member
Marcel Hergett	Member
Zulfikar Mannoo	Member

Human Resource & Remuneration Committee

Tahir Jawaid	Chairman
Pierre Perez y Landazuri	Member
Usman Qayyum	Member
Zulfikar Mannoo	Member

Shares Transfer Committee

Usman Qayyum	Chairman
Muhammad Asdaf	Member

Bankers

Citibank, N.A.
Habib Bank Ltd.
Meezan Bank Ltd.
MCB Bank Ltd.
MCB Islamic Bank Ltd.
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Ltd.

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Lahore - Karachi

Legal Advisor

M. Ali Seena
C/o Surridge & Beecheno, Karachi-74000

Shares Registrar

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