



RafhanMaize
PRODUCTS CO LTD



Half Yearly Report

For the period ended June 30, 2021

DIRECTORS' REVIEW



We are pleased to present un-audited financial results of the Company for six months ended June 30, 2021.

FINANCIAL RESULTS

		<u>Six Months ended June 30</u>	
		<u>2021</u>	<u>2020</u>
Net Sales	(Rs. Million)	19,912	17,125
Net Income after Tax	(Rs. Million)	3,994	2,517
Earnings per Share	(Rupees)	432.41	272.48

Despite myriad of challenges, Pakistan's economy is back on growth path, the GDP growth rate during FY 2020/21 remained at 3.9% which is more than double the IMF's view and roughly triple the World Bank's projection. This higher GDP growth is on the back of exceptional performance of all sectors, mainly large scale manufacturing, construction, exports and agriculture. Government's timely and appropriate measures in the form of smart lockdown policy, maintaining policy rate at 7%, PKR 1.2 bn package to construction industry and number of other packages to industry also helped to keep business sentiments positive.

Rafhan, by the Grace of Almighty Allah, was able to sustain its growth momentum despite challenging and uncertain market conditions. We remained focused on key business value drivers, optimizing and controlling costs, ensuring continuous and uninterrupted supply of products to customers, progressive customer relationship management and keeping our employees safe. Comparing to first half of 2020 which was badly hit by COVID-19 and resultantly, volumes were significantly impacted, sales volumes during H1 2021 also recovered and has major role in achieving a strong first half 2021 results; net sales grew by 16% and net income by 59% compared to H1 2020. The strong results and momentum during first half will help us to better face very challenging second half of 2021.

BUSINESS REVIEW

Industrial business performed better in comparison to last year which was severely impacted by COVID-19 lockdowns both locally and internationally. Major impact was seen in textile segment which performed relatively better this year despite some challenges in the shape of exceptionally higher cotton and yarn prices. Paper and corrugation segments have shown more resilience even in most difficult times and continue to post a positive growth.

Food business, despite inflationary pressure, managed to maintain its sales volumes. The demand from consuming industries for liquid glucose, dextrose and food grade starches remained stable. Steady demand of liquid glucose was also noted from confectionery industry.

The animal nutrition ingredients business continued to progress well. Better demand and higher substitute products prices helped to fetch better prices of our products.

BUSINESS RISKS, CHALLENGES AND FUTURE PROSPECTS

Though, the government has forecasted 4.8% GDP growth rate for 2021/2022 and there is visible improvement in economic indicators, but the current COVID-19 wave, geo-political environment, high inflation and fiscal and current account deficit will be key challenges for maintaining the growth momentum.

DIRECTORS' REVIEW

Increase in prices of agricultural commodities such as rice, sugarcane and wheat has pushed the corn prices up to an unprecedented level during the ongoing spring crop. This increase in corn prices coupled with rising cost of utilities and weakening PKR can seriously impact our margins balance of this year and going into 2022. Our focus shall remain on driving volumes, tight cost control, process optimization, price rationalization and efficient working capital management. The company is also aggressively working and investing in cost-saving initiatives to make itself more competitive.

Insha'Allah, we will keep the thrust of enhancing the stakeholders' value by optimizing the operational efficiencies, innovation, strategic differentiation, and delivering best services to our customers.

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 to deliver our business commitments even in challenging times.

May Allah give us the courage to face the challenges ahead. A'meen!

On behalf of the Board



Adil Saeed Khan
Chief Financial Officer



Usman Qayyum
Chief Executive &
Managing Director

August 23, 2021

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, 2020 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 #	Shareholding Proportion (No. of Shares)	Name & CNIC #	Shareholding Proportion (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.

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.

IMPORTANT NOTES TO SHAREHOLDERS

Deposit of Physical Certificate in CDC Account

As per Section 72 of Companies Act, 2017, every listed company shall be required to replace its physical certificates with book-entry form in a manner as may be specified and from the date notified by the commission, within a period not exceeding four years from the commencement of this Act.

The Shareholder having physical shares are encouraged to open the CDC sub-account with any of the brokers or investor Account directly with CDC to place their physical certificates into scripless form.

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 & Head of Legal / Corporate Affairs,
Rafhan Maize Products Co. Limited,
Rakh Canal East Road, Faisalabad.
Tel. No. 041-8540121-23 Ext. 226 & 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 REVIEW 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 2021 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 are 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 2021 and 30 June 2020 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:
30 August 2021

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (Un-audited)

As at June 30, 2021

	Notes	June 30, 2021 (Un-audited)	December 31, 2020 (Audited)
		(Rupees in thousands)	
NON CURRENT ASSETS			
Property, plant and equipment	5	6,446,091	6,468,188
Employees retirement benefits		160,231	160,231
Long term loans		5,102	6,675
Long term deposits		34,844	34,844
		6,646,268	6,669,938
CURRENT ASSETS			
Stores and spares		959,962	799,385
Stock in trade		7,073,755	4,453,097
Trade debts		1,864,958	1,551,968
Loans and advances		179,613	37,653
Short term prepayments		193,035	158,411
Other receivables		149,897	20,923
Short term investments		999,803	2,588,394
Cash and bank balances		7,169,424	6,565,424
		18,590,447	16,175,255
CURRENT LIABILITIES			
Current portion of long term financing		132,724	127,827
Current portion of deferred income		7,190	7,189
Contract liabilities		711,361	523,842
Trade and other payables		4,255,227	3,913,410
Lease liability		5,496	-
Unpaid dividend		2,413,365	913,234
Unclaimed dividend		14,017	14,030
Markup accrued on short term running finances		1,420	1,858
Provision for taxation - net		342,055	236,746
		7,882,855	5,738,136
WORKING CAPITAL		10,707,592	10,437,119
TOTAL CAPITAL EMPLOYED		17,353,860	17,107,057
NON CURRENT LIABILITIES			
Long term financing		44,844	106,041
Deferred income		1,797	5,392
Lease liability		8,144	-
Deferred taxation		868,775	864,643
NET CAPITAL EMPLOYED		16,430,300	16,130,981
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Share capital		92,364	92,364
Reserves		16,337,936	16,038,617
CONTINGENCIES AND COMMITMENTS	6	-	-
		16,430,300	16,130,981

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Adil Saeed Khan
Chief Financial Officer



Usman Qayyum
Chief Executive &
Managing Director



Zulfikar Mannoo
Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited)

For the six months period ended 30 June 2021

	Note	Six months ended (Un-audited)		Three months ended (Un-audited)	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		(Rupees in thousands)			
Revenue	7	19,912,157	17,124,720	10,049,054	7,812,776
Cost of sales	8	(13,801,400)	(13,014,008)	(6,987,137)	(5,848,121)
Gross profit		6,110,757	4,110,712	3,061,917	1,964,655
Distribution expenses		(266,509)	(246,565)	(130,375)	(112,663)
Administrative expenses		(319,189)	(294,974)	(161,133)	(148,426)
impairment loss on financial assets		(3,374)	(56,103)	(3,228)	(719)
Other income	9	367,265	227,413	(199,848)	(136,771)
Other expenses		(388,878)	(261,020)	(191,460)	(122,532)
		(610,685)	(631,249)	(286,348)	(247,569)
Operating profit		5,500,072	3,479,463	2,775,569	1,717,086
Finance costs		(21,349)	(12,321)	(11,349)	(4,234)
Profit before taxation		5,478,723	3,467,142	2,764,220	1,712,852
Taxation		(1,484,833)	(950,358)	(744,545)	(454,075)
Profit after taxation		3,993,890	2,516,784	2,019,675	1,258,777
Earnings per share-basic and diluted-(Rupees)		432.41	272.48	218.66	136.28

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Adil Saeed Khan
Chief Financial Officer



Usman Qayyum
Chief Executive &
Managing Director



Zulfikar Mannoo
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)

For the six months period ended 30 June 2021

	Six months ended (Un-audited)		Three months ended (Un-audited)	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	(Rupees in thousands)			
Profit for the period	3,993,890	2,516,784	2,019,675	1,258,777
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>3,993,890</u>	<u>2,516,784</u>	<u>2,019,675</u>	<u>1,258,777</u>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Adil Saeed Khan
Chief Financial Officer



Usman Qayyum
Chief Executive &
Managing Director



Zulfikar Mannoo
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)

For the six months period ended 30 June 2021

	Share Capital	Capital Reserves		Revenue Reserves		Total
		Share Premium	Other	General	Unappropriated Profit	
		(Rupees in thousands)				
Balance as at 01 January 2020	92,364	36,946	941	207	14,473,720	14,604,178
Total comprehensive income for the period						
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 recognised directly in equity						
Final dividend 2019 (Rs. 125.00 per share)	-	-	-	-	(1,847,285)	(1,847,285)
Balance as at 30 June 2020	92,364	36,946	941	207	15,143,219	15,273,677
Balance as at 01 January 2021	92,364	36,946	941	207	16,000,523	16,130,981
Total comprehensive income for the period						
Profit for the period	-	-	-	-	3,993,890	3,993,890
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	3,993,890	3,993,890
Transactions with owners of the Company recognised directly in equity						
Final dividend 2020 (Rs. 250.00 per share)	-	-	-	-	(2,309,107)	(2,309,107)
1st interim dividend 2021 (Rs. 150.00 per share)	-	-	-	-	(1,385,464)	(1,385,464)
	-	-	-	-	(3,694,571)	(3,694,571)
Balance as at 30 June 2021	92,364	36,946	941	207	16,299,842	16,430,300

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Adil Saeed Khan
Chief Financial Officer



Usman Qayyum
Chief Executive &
Managing Director



Zulfikar Mannoo
Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)

For the six months period ended 30 June 2021

		Six months ended (Un-audited)	
		30 June 2021	30 June 2020
	Note	(Rupees in thousands)	
Cash flows from operating activities			
Cash generated from operations	10	2,598,262	4,131,290
Taxes paid		(1,375,392)	(965,489)
Employees retirement benefits paid		(32,806)	(34,025)
		(1,408,198)	(999,514)
NET CASH GENERATED FROM OPERATING ACTIVITIES		1,190,064	3,131,776
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(211,412)	(127,071)
Proceed from disposal of property, plant and equipment		15,762	4,475
Interest received		293,091	210,060
Long term loans disbursed		(1,000)	(1,000)
Repayment from long term loans		3,873	3,995
NET CASH GENERATED FROM INVESTING ACTIVITIES		100,314	90,459
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of long term financing		-	244,433
Repayment of long term financing		(61,108)	-
Repayment of lease liability		(3,003)	(2,730)
Dividend paid		(2,194,453)	(648,033)
Finance cost paid		(16,405)	(12,836)
NET CASH USED IN FINANCING ACTIVITIES		(2,274,969)	(419,166)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(984,591)	2,803,069
Cash and cash equivalents at the beginning of the period		9,153,818	5,329,222
Cash and cash equivalents at the end of the period	11	8,169,227	8,132,291

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Adil Saeed Khan
Chief Financial Officer



Usman Qayyum
Chief Executive &
Managing Director



Zulfikar Mannoo
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)

For the six months period ended 30 June 2021

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 2020.

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 2020, 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 2020.

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

The accounting policies and methods of computation adopted in 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 2020.

3.1 Newly effective requirements of IFRS effective from 01 January 2021:

There are certain amendments to existing accounting and reporting standards that have become applicable to the Company for accounting periods beginning on or after January 01, 2021. These are considered either to not be relevant or to not have any significant impact on these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)

For the six months period ended 30 June 2021

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

The following amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

<u>Standards or interpretation</u>	<u>Effective date (accounting periods beginning on or after)</u>
- IAS 16 Property, Plant and Equipment (Amendments)	01 January 2022
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)	01 January 2022
- Amendments to IFRS 3 - Reference to the Conceptual Framework	01 January 2022
- Amendments to IAS 1 - Classification of liabilities as current or non-current	01 January 2022
- Amendments to IAS 8 - Definition or accounting estimates	01 January 2023
- Annual improvements to IFRS Standards 2018-2020	01 January 2023

The above mentioned amendments are not likely to have a material impact effect on the Company's financial statements.

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 2020.

5. Property, plant and equipment

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

	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Note	(Rupees in thousands)	
5.1	6,139,030	6,264,513
5.2	293,913	203,675
	13,148	-
	<u>6,446,091</u>	<u>6,468,188</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 2021		30 June 2020	
	Additions	Disposals (Rupees in thousands)	Additions	Disposals
Factory building on freehold land	-	2,691	-	-
Plant and machinery	108,356	4,525	131,784	8,139
Laboratory equipment	7,026	-	1,767	-
Furniture and fittings	186	-	62	-
Vehicles	5,606	17,124	3,934	1,040
Office equipment	-	98	478	206
	<u>121,174</u>	<u>21,747</u>	<u>140,716</u>	<u>9,385</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)

For the six months period ended 30 June 2021

5.2 Capital work-in-progress

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

	Six months ended (Un-audited)	
	30 June 2021 (Rupees in thousands)	30 June 2020 (Rupees in thousands)
Opening balance	203,675	102,775
Add: Additions during the period	211,412	127,071
	415,087	229,846
Less: Transfers during the period	(121,174)	(140,716)
Closing balance	293,913	89,130

6. Contingencies and commitments

6.1 Contingencies

There has been no significant change in the status of contingencies as set out in note 23 to the annual financial statements of the Company for the year ended 31 December 2020.

6.2 Commitments

- a) Commitments in respect of capital expenditure
- b) Commitments in respect of purchase of corn

	(Un-audited)	(Audited)
	30 June 2021 (Rupees in thousands)	31 December 2020 (Rupees in thousands)
	78,964	102,150
	1,104,805	5,179,018

7. Revenue - net

	Six months ended (Un-audited)		Three months ended (Un-audited)	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	(Rupees in thousands)			
Domestic	21,298,918	18,166,926	10,704,089	8,192,344
Exports	1,372,343	1,307,973	739,845	685,950
	22,671,261	19,474,899	11,443,934	8,878,294
Less:				
Sales tax	(2,709,628)	(2,346,854)	(1,355,736)	(1,063,921)
Trade discount	(49,476)	(3,325)	(39,144)	(1,597)
	(2,759,104)	(2,350,179)	(1,394,880)	(1,065,518)
Revenue from contracts with customers	19,912,157	17,124,720	10,049,054	7,812,776

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

	Six months ended (Un-audited)		Three months ended (Un-audited)	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	(Rupees in thousands)			
Opening stock of finished goods	1,669,504	2,190,371	1,147,857	2,347,647
Cost of goods manufactured	12,555,548	12,447,510	6,440,822	5,267,769
	14,225,052	14,637,881	7,588,679	7,615,416
Less: closing stock of finished goods	(791,405)	(1,910,657)	(791,405)	(1,910,657)
Cost of goods Sold - own manufactured	13,433,647	12,727,224	6,797,274	5,704,759
Cost of goods Sold - purchased Products	89,815	76,782	48,688	42,000
Freight and distribution cost	277,938	210,002	141,175	101,362
Cost of goods sold	13,801,400	13,014,008	6,987,137	5,848,121

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)

For the six months period ended 30 June 2021

9. Other income

	Six months ended (Un-audited)	
	30 June 2021	30 June 2020
	(Rupees in thousands)	
Mark-up on staff loans and profit on bank deposits	307,270	195,372
Profit on sale of scrap	42,668	25,929
Profit on sale of property, plant and equipment	12,449	4,467
Amortization of deferred income	3,595	-
Miscellaneous income	1,283	1,645
	367,265	227,413

10. Cash Flows From Operating Activities

	Six months ended (Un-audited)	
	30 June 2021	30 June 2020
	(Rupees in thousands)	
Profit before tax	5,478,723	3,467,142
Adjustments for:		
Depreciation of property, plant and equipment	246,268	242,588
Provision for employees retirement benefits	32,806	34,025
Provision / (reversal) of doubtful debts	3,374	56,103
Unwinding of lease liability	574	192
Provision for slow moving and obsolete items	105,599	15,222
Gain on disposal of property, plant and equipment	(12,449)	(4,467)
Amortization of deferred income	(3,595)	-
Interest income	(307,270)	(195,372)
Finance cost	20,775	12,129
	86,082	160,420
Cash generated from operations before working capital changes	5,564,805	3,627,562
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	(161,586)	26,735
Stock in trade	(2,725,249)	(1,762,801)
Trade debts	(316,364)	48,407
Loans and advances	(143,260)	(6,877)
Short term prepayments	(34,624)	(55,021)
Other receivables	(114,795)	(52,382)
	(3,495,878)	(1,801,939)
Increase / (decrease) in current liabilities:		
Contract liabilities	187,518	173,195
Trade and other payables	341,817	2,132,472
	529,335	2,305,667
Net increase / (decrease) in working capital	(2,966,543)	503,728
Cash generated from operations	2,598,262	4,131,290

11. Cash and cash equivalents

	(Un-audited)	(Audited)
	30 June 2021	31 December 2020
	(Rupees in thousands)	
Short term investments	999,803	2,588,394
Cash and bank balances	7,169,424	6,565,424
	8,169,227	9,153,818

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)

For the six months period ended 30 June 2021

12. Transactions with related parties

The related parties comprise of 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	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, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	December 31, 2020		
(Rupees in thousands)												
Parent Company												
Ingration Inc. U.S.A.	Holding	Shareholding of 71.04%	Services received	103,957	106,291	57,245	50,189	268,431	157,774	121,573	(82,273)	
Ingration Inc. U.S.A.	-do-	-do-	Dividend	2,624,447	1,312,223	2,624,447	1,312,223	96,002	139,924	56,005	(898,053)	
Ingration Inc. U.S.A.	-do-	-do-	Imports	35,640	47,042	-	17,368	2,096	(12,726)	1,111	470	
Ingration Inc. U.S.A.	-do-	-do-	Services provided	105,134	676	21,328	676	3,162	(192)	24,502	-	(22,566)
Associates												
Unilever Pakistan Foods Ltd.												
Ingration Holding LLC Kenya	Associate	Common directorship	Sales	919,248	849,167	381,993	268,431	2,619	(775)	(786)	19,241	
Ingration Holding LLC Kenya	-do-	Group company	Export sales	262,640	136,828	135,251	96,002	22,619	(26,742)	731	731	
Ingration Singapore Pte. Ltd.	-do-	-do-	Services provided	1,111	815	1,071	371	13,246	10,703	3,547	3,547	
Ingration Germany GMBH	-do-	-do-	Export sales	1,923	2,096	1,923	2,096	22,329	3,222	4,669	4,669	
Ingration Germany GMBH	-do-	-do-	Imports	3,344	5,979	201	3,162	55,627	55,627	19,241	-	
Ingration Germany GMBH	-do-	-do-	Export sales	123,322	105,914	68,942	52,339	-	(775)	(786)	-	
National Starch & Chemical Thailand	-do-	-do-	Services received	55,766	57,095	38,370	22,619	-	(26,742)	731	731	
National Starch & Chemical Thailand	-do-	-do-	Imports	33,049	17,879	20,741	13,246	10,703	10,703	3,547	3,547	
Ingration Malaysia Sdn. Bhd.	-do-	-do-	Export sales	21,385	47,436	11,606	22,329	22,329	3,222	4,669	4,669	
Ingration China Limited	-do-	-do-	Export sales	23,751	-	23,751	-	-	24,502	-	-	
PT Ingration, Indonesia	-do-	-do-	Export sales	43,625	81,406	21,323	45,595	-	-	9,809	-	
Ingration UK Limited	-do-	-do-	Export sales	74	2,336	74	2,336	-	-	-	-	
Ingration South Africa (PTY) Ltd.	-do-	-do-	Export sales	67,193	12,767	43,519	6,596	-	2,624	24,643	24,643	
Ingration South Africa (PTY) Ltd.	-do-	-do-	Services provided	-	-	-	-	-	-	-	279	
Other Related Parties												
Employee Benefits Key Management Personnel	Other	Employee retirement fund	Contribution to funds	64,172	60,508	34,209	30,698	30,698	(15,600)	(13,827)	-	
	-do-	Key management personnel	Remuneration	206,310	193,777	122,944	72,139	72,139	-	-	-	

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

13. Operating segments

13.1 These financial statements have been prepared on the basis of single reportable segment.

13.2 All non current assets of the company as at 30 June 2021 are located in Pakistan.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)

For the six months period ended 30 June 2021

14. 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 2020.

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.

	30 June 2021						
	Carrying amount			Fair value			
	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in thousands)						
<u>Financial assets - not measured at fair value</u>							
Long term loans	11,007	-	11,007	-	-	-	-
Trade debts	1,864,958	-	1,864,958	-	-	-	-
Long term deposits	34,844	-	34,844	-	-	-	-
Other receivables	149,897	-	149,897	-	-	-	-
Short term investments	999,803	-	999,803	-	-	-	-
Cash and bank balances	7,169,424	-	7,169,424	-	-	-	-
	10,229,933		10,229,933				
<u>Financial liabilities - not measured at fair value</u>							
Long term financing	-	177,568	177,568	-	-	-	-
Trade and other payables	-	3,584,406	3,584,406	-	-	-	-
Mark-up-accrued on short term running finances	-	1,420	1,420	-	-	-	-
Unpaid dividend	-	2,413,365	2,413,365	-	-	-	-
Unclaimed dividend	-	14,017	14,017	-	-	-	-
Lease liabilities	-	13,640	13,640	-	-	-	-
	-	6,204,416	6,204,416	-	-	-	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)

For the six months period ended 30 June 2021

		31 December 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	13,880	-	13,880	-	-	-	
Trade debts	1,551,968	-	1,551,968	-	-	-	
Long term deposits	34,844	-	34,844	-	-	-	
Other receivables	20,923	-	20,923	-	-	-	
Short term investments	2,588,394	-	2,588,394	-	-	-	
Cash and bank balances	6,565,424	-	6,565,424	-	-	-	
	10,775,433	-	10,775,433				
Financial liabilities - not measured at fair value							
Long term financing	-	233,868	233,868	-	-	-	
Trade and other payables	-	3,363,159	3,363,159	-	-	-	
Mark-up-accrued on short term running finances	-	1,858	1,858	-	-	-	
Unpaid dividend	-	913,234	913,234	-	-	-	
Unclaimed dividend	-	14,030	14,030	-	-	-	
	-	4,526,149	4,526,149	-	-	-	

15. Impact of Covid-19

World Health Organization declared the Novel strain of Corona virus (Covid-19) a global pandemic and recommended containment and mitigation measures worldwide. The federal and provincial governments of Pakistan also took various measures, including imposition of smart lockdown to contain the spread of Covid- 19. The management of the Company has been regularly conducting in depth analysis and has assessed that there is no material impact of COVID -19 on the carrying amounts of assets and liabilities as at 30 June 2021. Going forward, the management is taking all the required actions and will continue to monitor the potential impact and take all steps possible to mitigate any effects.

16. Date of authorization for issue

These un-audited condensed interim financial statements were authorized for issue by the Board of Directors on August 23, 2021.

17. Subsequent event - dividend

The Directors in their meeting held on August 23, 2021 have proposed second interim cash dividend for the period ended 30 June 2021 of Rs. 150 per share, amounting to Rs. 1,385,464 thousands. These condensed interim financial statements for the period ended 30 June 2021 do not include the effect of the above interim cash dividend which will be accounted for in the period in which it is declared.

18. General

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



Adil Saeed Khan
Chief Financial Officer



Usman Qayyum
Chief Executive &
Managing Director



Zulfikar Mannoo
Director

COMPANY INFORMATION

BOOK POST (Under Certificate of Posting)

Board Of Directors

Chairman

Pierre Perez y Landazuri Non-Executive

Chief Executive & Managing Director

Usman Qayyum Executive

Members

James D. Gray Non-Executive
Michael F. O'Riordan Non-Executive
Zulfikar Mannoo Non-Executive
Mian M. Adil Mannoo Non-Executive
Wisal A. Mannoo Non-Executive
Adil Saeed Khan Executive
Waqar Ahmed Malik Independent & Non-Executive
Tahir Jawaid Independent & Non-Executive

Chief Financial Officer

Adil Saeed Khan

Secretary

Mustafa Kamal Zuberi

Audit Committee

Waqar Ahmed Malik Chairman
James D. Gray Member
Michael F. O'Riordan 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

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 Surrridge & Beecheno, Karachi-74000

Shares Registrar

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Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi-75400
Tel:(92-21) 34380101-5
Fax: (92-21) 34380106
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Fax: (92-41) 8711016 - 8502197
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Mehran Plant

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Jamshoro-76090.
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updated up to August 23, 2021