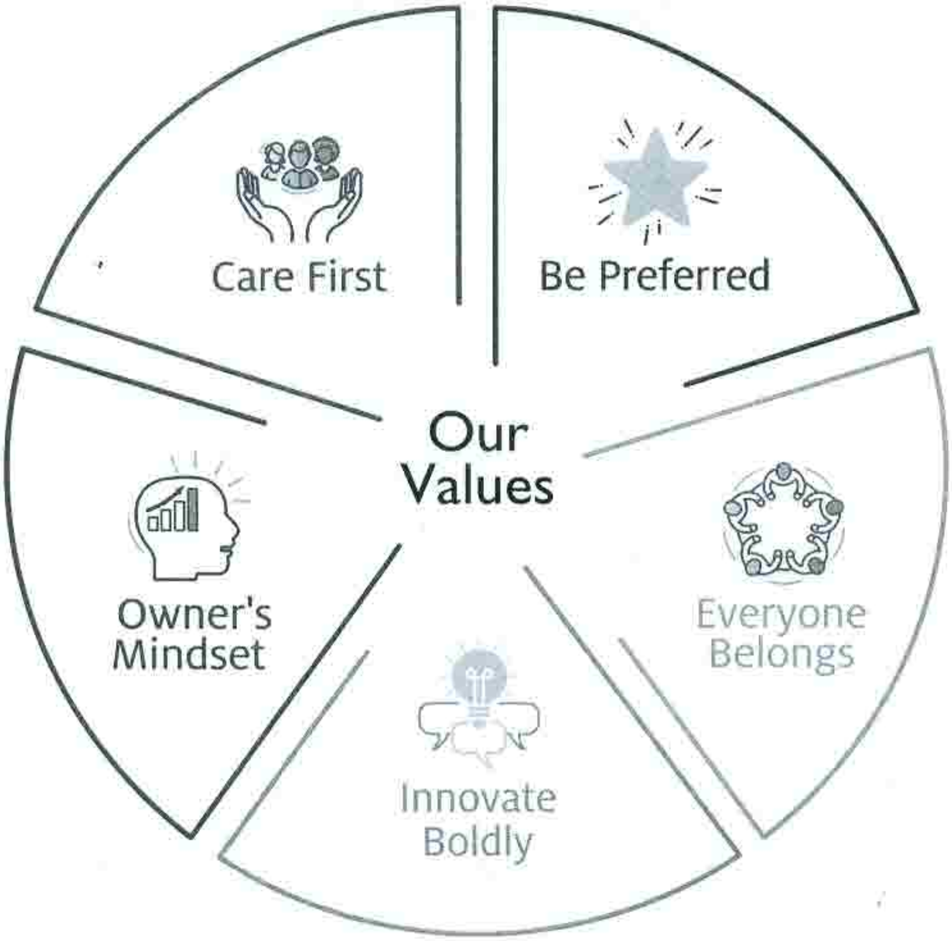
RafhanMaize
PRODUCTS CO LTD




# Annual Report 2018

RafhanMaize
PRODUCTS CO LTD
FAISALABAD - PAKISTAN

www.rafhanmaize.com

بسم الله الرحمن الرحيم

# Contents

## Company Information

### Board of Directors

Chairman

| | |
|---|---|
| Pierre Perez y Landazuri | Non-Executive |

Chief Executive & Managing Director

| | |
|---|---|
| Usman Qayyum | Executive |

Members:

| | |
|---|---|
| James D. Gray | Non-Executive |
| Andrea Astrid Miriam Pohnl | 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

M. Yasin Anwar

### 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 |
| Andrea Astrid Miriam Pohnl | 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

FAMCO Associates (Pvt.) Ltd.
8-F, Next to Hotel Faran, Nursery,
Block-6, P.E.C.H.S., Shahrah-e-Faisal,
Karachi-75400
Tel:(92-21) 34380101-5
Fax: (92-21) 34380106
E-mail: info.shares@famco.com.pk

### Registered Office & Shares Department

Rakh Canal East Road, Faisalabad,
Ph: (92-41) 8540121-22-23
Fax: (92-41) 8711016 - 8502197
Website: www.rafhanmaize.com
E-mail: corporate@rafhanmaize.com

### 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

(Note: The above information has been updated upto February 12, 2019)

# Notice of Meeting

Notice is hereby given that the 129th General Meeting (Annual Ordinary) of the shareholders of Rafhan Maize Products Co. Ltd. will be held on Monday, April 15, 2019 at 03:00 p.m. at Royalton Hotel, P-12, West Canal Road, Abdullahpur, Faisalabad to transact the following business:

1. To confirm minutes of the last General Meeting (Extraordinary) of the shareholders of the Company held on Friday, September 7, 2018 at Faisalabad.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2018 together with the Directors' and Auditors' Reports thereon.

3. To approve final cash dividend @ 1250% for the year ended December 31, 2018 as recommended by the Board of Directors.

4. To appoint auditors and fix their remuneration. The present auditors Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Board of Directors, on recommendations of the Audit Committee, has proposed appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants for the year 2019.

By order of the Board

Faisalabad
March 23, 2019

M. Yasin Anwar
Company Secretary &
Sr. Manager Corporate Affairs

Notes:

1. The Shares Transfer Books of the Company will remain closed from 8th April to 15th April, 2019 (both days inclusive) and no transfer will be accepted for registration during this period.

2. A member entitled to attend, speak and vote at the meeting shall be entitled to appoint another person as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights with respect to attending, speaking and voting at the meeting as are available to a member. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting. A proxy need not be a member of the Company. Form of proxy is available at Company's website and also being mailed to shareholders in CD.

3. Physical shareholders are requested to notify change of address, if any, to the Company's Shares Registrar immediately.

4. CDC shareholders desiring to attend the meeting are requested to bring their original Computerized National Identity Cards, Account and Participant's ID numbers, for identification purpose, and in case of proxy, to enclose an attested copy of his/her CNIC.

## 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 No.

Pursuant to the directives of the SECP, CNIC number is mandatorily required to be mentioned on dividend warrants. The Company is now unable to comply with SRO 831(1)/2012 dated 5 July 2012 of SECP and, therefore, constrained to withhold dispatch of dividend warrants of non-compliant shareholders. A list of such shareholders is available on Company's website www.rafhanmaize.com. Please submit a copy of your 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.

### 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 Company's website www.rafhanmaize.com and send it duly signed along with copy of CNIC to the Shares Registrar of the Company, 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, 2018 have been placed on the Company's website –

Securities & Exchange Commission of Pakistan (SECP) vide its SRO No.470(1)/2016 dated May 31, 2016 has allowed companies to circulate the Annual Balance Sheet, Profit and Loss Account, Auditors' Report and Directors' Report etc. ("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 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 this notice.

### 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. Ltd./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.

### Deduction of Income Tax from Dividend under Section 150

Pursuant to the provisions of the Finance Act, 2017, effective July 1, 2017, 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 | 20% |

To enable the Company to make tax deduction on the amount of cash dividend @15% instead of 20%, 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 @20% 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 follows, 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 this notice.

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.

### 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. Ltd., holder of ___________ Ordinary Shares as per Registered Folio No.___________ hereby opt for video conference facility at ___________.

____________________
Signature of Member

| Company Contact: | Shares Registrar: |
|---|---|
| Mr. M. Yasin Anwar | Mr. Fakhar Abbasi |
| Company Secretary & Sr. Manager Corporate Affairs | M/s FAMCO Associates (Pvt.) Ltd, |
| Rafhan Maize Products Co. Ltd., | 8-F, Next to Hotel Faran, Nursery, |
| Rakh Canal East Road, Faisalabad. | Block-6, PECHS, Shahrah-e-Faisal, Karachi. |
| Tel.No.041-8540121-23 – Ext.206 & 348 | Tel.No.021-34380101-05 Ext.118 |
| E-mail: corporate@rafhanmaize.com | E-mail: info.shares@famco.com.pk |

# Our Purpose

We bring the potential of people, nature, and technology together to create ingredient solutions that make life better.

# Vision

To be the Premier Provider of Refined Agriculturally based Products and Ingredients in the Region.

# Mission Statement

To grow business consistently through positive relationship with customers to attain full customer satisfaction and to bring continual improvement by adopting only those business practices which add value to our customers, employees and shareholders.

# Our Core Values

### Care First

We actively work to safeguard and enable the well being of our people, the quality of our products, and our reputation for trust and integrity.

### Be Preferred

We earn the right to be customer-preferred by delivering mutual enduring value at every touchpoint of the customer experience.

### Everyone Belongs

We embrace diversity and proactively foster an inclusive work environment where each person is valued and feels inspired to contribute their best.

### Innovate Boldly

We courageously strive for breakthrough innovations driven by our relentless curiosity, bold thinking, speed of decision-making, and agile execution.

### Owner's Mindset

We think and act like owners - where everyone takes personal responsibility to anticipate challenges, proactively search for opportunities, and make decisions that are in the best interest of the company.

# Chairman's Review

I am pleased to present the review on overall performance of Rafhan Maize Products Company Limited and the effectiveness of the role played by the Board in achieving the Company's objectives.

The Board has played an effective and impactful role during a particularly challenging year. 2018 was yet another year of high performance and growth for the Company. Your Company achieved net sales of PKR 29.6 billion and net profit after tax of PKR 4.8 billion, which is 9% higher than prior year.

2018 was an eventful and challenging year indeed. The business was faced with numerous external headwinds. The Rupee depreciated by more than 30%, the economic and political environment has been uncertain and volatile, and cost inflation accelerated, driven by energy and raw materials fast rising costs. The business has had to remain highly agile in order to adapt to the volatile environment and mitigate these challenges. Pakistan's economy has always shown resilience through unfavorable business environment. We remain optimistic that the economy and business conditions will eventually bounce back after this turbulent period.

We are confident that our business is well positioned to take on these challenges. We have a strong and agile management team and an experienced and very seasoned Board to steer our business through these currently more difficult economic conditions.

Your Company is also fully committed to very solid Corporate Governance. I am pleased to report that the performance of the Board has been par excellence, which has helped in effectively steering the Company during the year. The Board continuously reviews the Company's business and advises the management on key areas like strategic planning, effective resources utilization, financial performance, capital deployment, matters related to human and operational capacity and related capabilities. The Board acknowledges its responsibility towards Corporate and Financial Reporting Framework. It is also cognizant of its strategic role in achieving the Company's key objectives, focused on improving returns to shareholders and other stakeholders and committed to continuing contributing towards these objectives.

I would like to thank all the members of the Board for their continuing guidance and support and acknowledge the contribution of the management for delivering yet another strong performance during 2018.

Pierre Perez y Landazuri
Chairman

February 12, 2019

# Directors' Profile

## PIERRE PEREZ y LANDAZURI
Chairman
Non-Executive Director

He joined the Board of Rafhan Maize as Chairman on August 12, 2016. He is also a member of the Board's Human Resource and Remuneration Committee and represents Ingredion Incorporated, the parent company, on the Board. At Ingredion Incorporated, he is Senior Vice President and President, EMEA since January 1, 2018. He is also a member of Ingredion Incorporated Executive Leadership Team.

He holds Master's Degree in Chemical Engineering from the Chimie Paris Tech, Paris, France.

**Office Address**
Ingredion Germany GmbH,
Gruner Deich-110,
Hamburg-20097,
Germany.

## JAMES D. GRAY
Non-Executive Director

He joined the Board of Rafhan Maize on July 4, 2017. He is also a member of the Board's Audit Committee. He represents Ingredion Incorporated, the parent company, on the Board. At Ingredion Incorporated, he is Executive Vice President and Chief Financial Officer since March 1, 2017. Prior to that, he served as Vice President, Corporate Finance and Planning, North America from 2014 to March 1, 2017. He is also a member of Ingredion Incorporated Executive Leadership Team. Prior to joining Ingredion Incorporated, he worked for PepsiCo in several positions, including Chief Financial Officer, Gatorade and Propel Business; Vice President, Franchise Business; and Vice President, Merger Transformation.

Mr. Gray holds a Bachelor's Degree in Business Administration from the University of California, Berkeley and graduated with distinction with a Master's Degree in Business Administration from the Kellogg School of Management, Northwestern University in Evanston, Illinois.

**Office Address**
Ingredion Incorporated, 5 Westbrook Corporate Center,
Westchester, IL 60154, U.S.A.

## ANDREA ASTRID MIRIAM POHNL
Non-Executive Director

Ms. Andrea has just joined the Board of Rafhan Maize on February 12, 2019. She represents Ingredion Incorporated, the parent company, on the Board. She is also a member of Rafhan Maize Board's Human Resource and Remuneration Committee. At Ingredion Incorporated, Andrea is Director Human Resource EMEA. She joined Ingredion Incorporated, in 2007 as HR Manager for the German entity.

She holds a Master's Degree in Psychology from the Technical University in Darmstadt, Germany.

**Office Address**
Ingredion Germany GmbH,
Gruner Deich-110,
Hamburg-20097,
Germany.

## MARCEL HERGETT
Non-Executive Director

He joined the Board of Rafhan Maize on August 12, 2016 and represents Ingredion Incorporated, the parent company. He is also a member of the Board's Audit Committee. At Ingredion Incorporated, he is Director Finance, EMEA since February 01, 2016.

He holds a University Degree of Accountancy and Tax from University of Cologne, Albertus-Magnus-Platz, Koln, Germany.

**Office Address**
Ingredion Germany GmbH,
Gruner Deich-110,
Hamburg-20097,
Germany.

# Directors' Profile

## USMAN QAYYUM
Chief Executive & Managing Director
Executive Director

He joined the Board of Rafhan Maize on March 31, 2016. In Rafhan Maize, he started his career as Director, Business Development and Specialty on January 01, 2015 and promoted as Chief Operating Officer on December 01, 2015.

He is also a member of the Board's Human Resource & Remuneration Committee and Chairman Shares Transfer Committee.

He holds a Master's Degree in Business Administration from the Institute of Business Administration at the University of the Punjab, Lahore. He also holds a Bachelor's Degree in Electrical Engineering from the University of Engineering and Technology, Lahore.

**Office Address**
Rafhan Maize Products Co. Ltd.,
Rakh Canal East Road,
Faisalabad.

## MUHAMMAD ASDAF
Executive Director

He joined the Board of Rafhan Maize on September 21, 2017. He is FCA with over 26 years of experience in diversified business disciplines. Presently, he is holding the position of Chief Financial Officer of the Company.

He is also a member of the Board's Shares Transfer Committee.

**Office Address**
Rafhan Maize Products Co. Ltd.,
Rakh Canal East Road,
Faisalabad.

## ZULFIKAR MANNOO
Non-Executive Director

He joined the Board of Rafhan Maize in 1990. He is alumnus of The Wharton School, University of Pennsylvania and Aitchison College, Lahore. He is also a member of the Board's Audit Committee and Human Resource & Remuneration Committee. He represents minority shareholders on the Board.

He also holds directorship of Unilever Pakistan Foods Ltd. and is a member of both the Audit and Human Resource & Remuneration Committees. Additionally, he is the Chief Executive of Pakwest Industries (Pvt.) Ltd., an artificial leather manufacturing business.

**Office Address**
Pakwest Industries (Pvt.) Ltd.,
1st Floor, Ghani Chambers,
Patiala Ground, Link McLeod Road,
Lahore.

## MIAN M. ADIL MANNOO
Non-Executive Director

He joined the Board of Rafhan Maize in 1985. He is graduate and alumnus of Aitchison College, Lahore. He is engaged in textile business for the last 26 years. He represents minority shareholders on the Board.

He also holds directorship of Unilever Pakistan Foods Ltd.

**Office Address**
H.N. Enterprises,
Rakh Canal East Road,
Opp: Rafhan Maize Products Co. Ltd.,
Faisalabad.

# Directors' Profile

## WISAL A. MANNOO
Non-Executive Director

He joined the Board of Rafhan Maize in 2006. He is an alumnus of Syracuse University and Aitchison College, Lahore. He has been active in the textiles industry for the last 38 years. He represents minority shareholders on the Board.

He is also a Member of Executive Committee of All Pakistan Textile Mills Association (APTMA).

**Office Address**
Wisal Kamal Fabrics,
11E-2, Main Gulberg,
Lahore.

## TABISH GAUHAR
Independent & Non-Executive Director

Mr. Tabish joined the Board of Rafhan Maize on September 07, 2018. He is the Chairman of the Board's Audit Committee. He has over 24 years of corporate, private, equity and entrepreneurial experience in general management, business turnaround, project development and financing, across the energy infrastructure sector in emerging and frontier markets. Presently, he is Founder Director of Oasis Energy Consultants, Dubai, U.A.E., and a member of the Operating Advisory Board, Mubadala Infrastructure Partners, Dubai, U.A.E. He was CEO of K-Electric Limited from 2009 to 2013 and Chairman of its Board from 2013 to 2015.

He holds a Master's Degree in Business Administration from the Institute of Business Administration, Pakistan and Bachelor's Degree in Electrical Engineering from King's College London, United Kingdom.

**Office Address**
144 Tulip Way, Green Community,
124463 Dubai, United Arab Emirates.

## TAHIR JAWAID
Independent & Non-Executive Director

Mr. Tahir joined the Board of Rafhan Maize on September 07, 2018. He is the Chairman of the Board's Human Resource and Remuneration Committee. He has more than 38 years' experience in various industries, including 26 years with Exxon/Engro in the manufacturing and technical operations of Pakistan's leading fertilizers manufacturer. Presently, he is Director & Chief Executive of Hub Power Services Company Ltd., and also holds Directorships of Hub Power Holding Company Ltd., China Power Hub Generation Company Ltd., Laraib Energy Ltd. and Thar Energy Ltd.

He holds a Master's Degree in Industrial Engineering from the University of Houston, USA and a Bachelor's Degree in Mechanical Engineering from the University of Engineering & Technology, Lahore, Pakistan.

**Office Address**
The Hub Power Company Limited, 11th Floor,
Ocean Tower, G-3, Block-9, Main Clifton Road,
Karachi.

# Forward-Looking Statements

This Annual Report contains or may contain forward-looking statements. The Company intends these forward-looking statements to be covered by the safe harbor provisions for such statements. These statements include among other things any statement regarding the Company's prospects or future financial condition, earnings, revenues, tax rates, capital expenditures, expenses or other financial items, any statements concerning the Company's prospects or future operations, including management's plans or strategies and objectives therefore and any assumptions, expectations or beliefs underlying the foregoing. These statements can sometimes be identified by the use of forward-looking words such as "may," "will," "should," "anticipate," "believe," "plan," "project," "estimate," "expect," "intend," "continue," "proforma," "forecast" or other similar expressions or the "negative" thereof. All statements other than statements of historical facts in this report or referred to in or incorporated by reference into this report are "forward-looking statements." These statements are based on current expectations, but are subject to certain inherent risks and uncertainties, many of which are difficult to predict and are beyond our control. Although we believe our expectations reflected in these forward-looking statements are based on reasonable assumptions, stakeholders are cautioned that no assurance can be given that our expectations will prove correct. Actual results and developments may differ materially from the expectations expressed in or implied by these statements, based on various factors, including the effects of global economic conditions, and their impact on our sales volumes and pricing of our products, our ability to collect our receivables from customers; fluctuations in markets for corn and other commodities, cheaper import price of starches and sweeteners, fluctuations in the markets and prices for our co-products, particularly corn oil and Feed; fluctuations in aggregate industry supply and market demand; the behavior of financial markets, including foreign currency fluctuations and fluctuations in interest and exchange rates; the commercial and consumer credit environment; general political, economic, business, market and weather conditions in the various geographic regions within Pakistan and in countries in which we sell our products; future financial performance of major industries which we serve, including, without limitation, the food and beverage, pharmaceuticals, paper, corrugated, textile and brewing industries; energy costs and availability, freight and shipping costs, and changes in regulatory controls regarding tariffs, duties, taxes and income tax rates; operating difficulties; availability of raw materials, including specific varieties of corn upon which our products are based; energy issues in Pakistan; our ability to effectively integrate and operate businesses; our ability to achieve budgets; our ability to complete planned maintenance and investment projects successfully and on budget; genetic and biotechnology issues; changing consumption preferences including those relating to liquid glucose; increased competitive and/or customer pressure in the starch processing industry; and the outbreak or continuation of serious communicable disease or hostilities including acts of terrorism. Our forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update any forward-looking statements to reflect events or circumstances after the date of the statement as a result of new information or future events or developments. If we do update or correct one or more of these statements, investors and others should not conclude that we will make additional updates or corrections.

## Horizontal Analysis of Profit and Loss Account

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| Sales | 14% | 3% | 3% | -2% | 6% | 21% |
| Cost of sales | 15% | 1% | -4% | -7% | 6% | 25% |
| Gross profit | 10% | 7% | 27% | 17% | 11% | 6% |
| Distribution cost | 9% | 9% | 101% | 12% | 16% | -39% |
| Administrative expenses | -4% | 14% | 4% | 15% | 11% | 5% |
| Operating profit | 12% | 6% | 24% | 19% | 6% | 11% |
| Other operating income | 32% | -4% | 13% | 55% | -48% | 119% |
| Finance cost | 65% | -12% | 17% | -87% | 102% | 3% |
| Other operating expenses | 11% | 2% | 31% | 11% | 20% | 6% |
| Profit before taxation | 12% | 6% | 24% | 23% | 4% | 15% |
| Taxation | 21% | -9% | 38% | 7% | 52% | -25% |
| Profit after taxation | 9% | 13% | 18% | 30% | -10% | 36% |

## Horizontal Analysis of Balance Sheet

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| NON CURRENT ASSETS | | | | | | |
| Property, plant and equipment | 3% | 19% | 20% | -4% | -4% | 31% |
| Intangible assets | | -100% | -63% | -84% | -48% | -32% |
| Capital work-in-progress | -89% | -61% | -28% | 322% | 85% | -82% |
| EMPLOYEES RETIREMENT BENEFITS | -10% | -26% | 1543% | 100% | -100% | -67% |
| LONG TERM LOANS | 1% | -4% | 46% | 65% | 6% | -1% |
| LONG TERM DEPOSITS | 1% | 0% | 1% | -1% | 0% | -0% |
| CURRENT ASSETS | | | | | | |
| Stores and spares | 21% | -4% | 6% | -9% | 24% | 25% |
| Stock in trade | -22% | 19% | 5% | 29% | -46% | 63% |
| Trade debts | 10% | 14% | -2% | 11% | 17% | 4% |
| Loans and advances | 13% | 11% | -5% | -43% | 25% | -49% |
| Trade deposits and prepayments | 10% | -9% | 4% | 23% | -26% | 19% |
| Other receivables | 44% | 57% | -42% | 48% | -28% | 64% |
| Cash and bank balances | 35% | -17% | 36% | -11% | 5336% | -89% |
| TOTAL ASSETS | 1% | 2% | 12% | 13% | 8% | 16% |
| CURRENT LIABILITIES | | | | | | |
| Trade and other payables | 7% | 11% | 8% | -5% | -14% | -2% |
| Unpaid dividend | -97% | 17464% | 1010% | 55% | -88% | 68% |
| Unclaimed dividend | -67% | 321% | 27% | 19% | 67% | -4% |
| Mark up accrued on short term running finances | 0% | -100% | -61% | 157% | -100% | -56% |
| Short term running finances - secured | 0% | 0% | 0% | 0% | -100% | 0% |
| Provision for taxation | 108% | -9% | -26% | -45% | 131% | -49% |
| NON CURRENT LIABILITIES | | | | | | |
| Deferred taxation | -11% | -12% | 50% | -4% | -5% | 26% |
| SHARE CAPITAL AND RESERVES | | | | | | |
| Share capital | 0% | 0% | 0% | 0% | 0% | 0% |
| Reserves | 7% | -6% | 12% | 21% | 15% | 23% |
| TOTAL LIABILITIES & EQUITY | 1% | 2% | 12% | 13% | 8% | 16% |

Note: No percentage has been worked out where there were no figures in current or corresponding year.

## Vertical Analysis of Profit and Loss Account

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| Sales | 100% | 100% | 100% | 100% | 100% | 100% |
| Cost of sales | 72.3% | 71.5% | 72.5% | 77.8% | 81.5% | 82.2% |
| Gross profit | 27.7% | 28.5% | 27.5% | 22.2% | 18.5% | 17.8% |
| Distribution cost | 2.3% | 2.5% | 2.3% | 1.2% | 1.0% | 0.9% |
| Administrative expenses | 1.6% | 1.9% | 1.7% | 1.7% | 1.4% | 1.3% |
| Operating profit | 23.0% | 23.3% | 22.6% | 18.7% | 15.4% | 15.4% |
| Other operating income | 0.9% | 0.7% | 0.8% | 0.7% | 0.5% | 0.9% |
| Finance cost | 0.1% | 0.1% | 0.1% | 0.1% | 0.5% | 0.2% |
| Other operating expenses | 1.6% | 1.6% | 1.6% | 1.3% | 1.1% | 1.0% |
| Profit before taxation | 23.0% | 23.3% | 22.8% | 18.7% | 14.9% | 15.2% |
| Taxation | 6.8% | 6.4% | 7.3% | 5.4% | 4.9% | 3.4% |
| Profit after taxation | 16.1% | 16.9% | 15.5% | 13.3% | 10.0% | 11.7% |

## Vertical Analysis of Balance Sheet

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| NON CURRENT ASSETS | | | | | | |
| Property, plant and equipment | 39.7% | 39.0% | 33.5% | 31.3% | 36.7% | 41.2% |
| Intangible assets | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% |
| Capital work-in-progress | 0.3% | 3.0% | 7.9% | 12.5% | 3.4% | 2.0% |
| EMPLOYEES RETIREMENT BENEFITS | 1.0% | 1.1% | 1.5% | 0.1% | 0.0% | 0.1% |
| LONG TERM LOANS | 0.1% | 0.1% | 0.1% | 0.0% | 0.0% | 0.0% |
| LONG TERM DEPOSITS | 0.2% | 0.2% | 0.2% | 0.2% | 0.3% | 0.3% |
| CURRENT ASSETS | | | | | | |
| Stores and spares | 4.4% | 3.7% | 4.0% | 4.2% | 5.2% | 4.6% |
| Stock in trade | 20.3% | 26.1% | 22.5% | 24.1% | 21.1% | 42.4% |
| Trade debts | 7.3% | 6.7% | 6.0% | 6.9% | 7.0% | 6.5% |
| Loans and advances | 0.7% | 0.6% | 0.5% | 0.6% | 1.3% | 1.1% |
| Trade deposits and prepayments | 0.7% | 0.8% | 0.9% | 1.0% | 0.9% | 1.3% |
| Other receivables | 0.2% | 0.2% | 0.1% | 0.2% | 0.1% | 0.2% |
| Cash and bank balances | 25.2% | 18.8% | 23.1% | 19.1% | 24.2% | 0.5% |
| TOTAL ASSETS | 100% | 100% | 100% | 100% | 100% | 100% |
| CURRENT LIABILITIES | | | | | | |
| Trade and other payables | 16.0% | 15.0% | 13.8% | 14.3% | 17.0% | 21.5% |
| Unpaid dividend | 0.1% | 5.4% | 0.0% | 0.0% | 0.0% | 0.0% |
| Unclaimed dividend | 0.1% | 0.3% | 0.1% | 0.1% | 0.1% | 0.0% |
| Mark up accrued on short term running finances | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Short term running finances - secured | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.7% |
| Provision for taxation | 1.5% | 0.7% | 0.8% | 1.3% | 2.6% | 1.2% |
| NON CURRENT LIABILITIES | | | | | | |
| Deferred taxation | 4.5% | 5.1% | 5.9% | 4.4% | 5.2% | 5.9% |
| SHARE CAPITAL AND RESERVES | | | | | | |
| Share capital | 0.5% | 0.6% | 0.6% | 0.6% | 0.7% | 0.8% |
| Reserves | 77.2% | 72.9% | 78.8% | 79.3% | 74.3% | 69.9% |
| TOTAL LIABILITIES & EQUITY | 100% | 100% | 100% | 100% | 100% | 100% |

Note: No percentage has been worked out where there were no figures in current or corresponding year.

# Directors' Report

The Directors of your Company feel pleasure in presenting the annual audited Financial Statements along with auditors' report thereon for the year ended December 31, 2018.

## Financial Results

Profit and Appropriations

| | | Year ended December 31 | |
|---|---|---|---|
| | | **2018** | 2017 |
| | | **Rupees in Thousand** | |
| Profit after taxation | | 4,771,705 | 4,392,257 |
| Actuarial gains/(losses) of employees retirement benefits | | (4,121) | (43,543) |
| Un-appropriated profit brought forward | | 12,171,721 | 12,903,042 |
| | | **16,939,305** | 17,251,756 |
| Appropriations | | | |
| Final Dividend 2017 @1250% | (2016: @3000%) | 1,154,554 | 2,770,928 |
| 1st Interim Dividend 2018 @1000% | (2017: @1000%) | 923,643 | 923,643 |
| 2nd Interim Dividend 2018 @1000% | (2017: @750%) | 923,643 | 692,732 |
| 3rd Interim Dividend 2018 @1000% | (2017: @750%) | 923,643 | 692,732 |
| | | **3,925,483** | 5,080,035 |
| Un-appropriated profit | | **13,013,821** | 12,171,721 |
| Earnings per share (rupees) | | **516.62** | 475.54 |

### Business Review

Being a pioneer corn refiner in the country, Rafhan Maize has positioned itself as the supplier of choice for the customers we serve. Rafhan's strategic and enduring relationship with the customers is our asset. At Rafhan Maize, our customer focused mindset is the main spirit behind meeting new challenges and achieving excellence in customer experience. We also believe that adherence to our core values is vital for sustainable business success and continuous improvement. Our values always remain an essential part of our culture.

We are proud of our commitment to excellence in product safety, quality and providing value added solutions and services to our customers to grow our business and sustain customer confidence.

Growing inflationary pressures from rising input costs, hike in utilities' prices along with depressed economic environment continued to pose challenges for industrial production in the country. Textile operations remained mixed as export-oriented units have shown sign of improvement after pick up in external demand for denim, towel, bed linen and grey fabrics. However, downstream textile units witnessed slowdown due to prevailing adverse business conditions particularly abnormal rise in yarn and cotton prices. Other major consuming segments including writing/printing and industrial paper, board and corrugation operated at relatively better pace; especially large-scale units.

The food ingredients business, despite difficult market conditions managed to maintain its sales volumes against last year primarily due to stable demand from consuming industries for liquid glucose, dextrose and food starches. Demand for liquid glucose was noticeable from confectionery industry due to increase in packaged confectionery base, favorable sugar prices and increase in export volumes. Sales to bakery, ice cream, ketchups, soups, still drinks, pharmaceuticals and food processors remained stable while demand for dextrose from nutraceuticals and other foods and beverage sectors was vibrant.

The animal nutrition ingredients business continued to suffer due to low prices of soybean in international market and availability of other substitute ingredients at lower prices in the market. However, demand from dairy and aquaculture supported the volume of animal feed.

Rafhan Maize has been consistently improving its footprint in the exports market year after year. We again had a double-digit growth in 2018 with exports to more than 20 countries in South and South-East Asia, Middle East and Africa.

## Operations

With upcoming inflationary pressures on costs, our operation's team is constantly focusing on bringing efficiencies to offset such challenges. Our Continuous Improvement and Cost Smart initiatives are delivering substantial savings for the business. The team is also fully cognizant to the changing regulatory environment and continue to build capabilities and remained compliant to all such requirements.

Rafhan Maize also continues to invest in capacity enhancement, new and efficient technologies, and raising the bar of skills set of its human resource, thus meeting the present and future requirements. We continue to collaborate and leverage from the capabilities of our employees, contractors and suppliers to fulfill the requirements of our customers. The eventual target has always been to create better value for our customers and shareholders.

## Safety, Health And Environment

Safety of our employees, contractors and anyone visiting our sites always remains our top priority. Our environment, health and safety programs remained on track throughout the year with strong commitment and involvement from each participating employee and contractor. Our front-line supervisors and managers are playing a pivotal role in effective implementation of world class standards in this regard. We delivered our whole-hearted support for safe and congenial work environment and different awareness campaigns and training programs were organized for the awareness of our workforce. Our commitment for improvement brought a sense of responsibility and we delivered exemplary safety results during the year.

Rafhan Maize continues to contribute towards improving environment and uplifting the communities in which we operate. We are continuously devoting our efforts for the well-being of people and are adopting a sustainable approach for all our operations and sites. Key initiatives have been rationalized to deliver world class results at all our sites.

## Corporate Social Responsibility

Rafhan Maize remains a socially responsible organization and is striving hard to contribute to social uplifting of our communities by providing generous contributions in the fields of health, education, environment, community development and calamities rehabilitation. Our mission is to create opportunities for farmers, business communities and general masses where they can improve the quality of their lives.

## Business Risks, Challenges And Future Prospects

It has been a year of both continuity and change. Pakistan's economy has always shown resilience during unfavorable environment. However, inflation, devaluation of Rupee and uncertain political and economic environment may impact the growth momentum in the short term. Despite these challenging times in the short term for the economy, we foresee macroeconomic stability and growth coming through in years to come.

Competition is intensifying and consumers' expectations are shifting, hence excellence in product safety and quality combined with deep customer insights and providing meaningful innovation and value-added services to retain customer trust will be the key to success in future.

Increase in the corn prices which have touched a new peak followed by the upward trend in prices of fuel, utilities and other inputs is expected to impact significantly on the cost side.

We have firm belief in our efforts, management skills and capabilities to cope with all these challenges. We remain optimistic about the Company's future prospects and hope to maintain the growth trend in all business segments we operate in.

## Corporate Governance

Your Company is fully abreast of all standards and requirements of corporate governance. The Directors are pleased to state that your Company is fully compliant with the (Code of Corporate Governance) Regulations, 2017. The statement of compliance with Code of Corporate Governance is reproduced on Page No 28.

## Disclosures under Code of Corporate Governance

### Corporate and Financial Reporting Framework:

(a) The financial statements, prepared by the management of the listed company, present its state of affairs fairly, gives a true and fair view of the result of its operations, cash flows and changes in equity;

(b) Proper books of accounts of the listed company have been maintained; Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

(c) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained;

(d) The system of internal control is sound in design and has been effectively implemented and monitored; and

(e) There are no significant doubts upon the listed Company's ability to continue as a going concern.

## Key operating and financial data of last six years are as follows:

| | | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|
| Net Sales | Rs. Million | 29,564 | 26,018 | 25,298 | 24,618 | 25,197 | 23,673 |
| Cost of Sales | Rs. Million | 21,375 | 18,593 | 18,345 | 19,164 | 20,540 | 19,460 |
| Gross Profit | Rs. Million | 8,189 | 7,425 | 6,952 | 5,454 | 4,657 | 4,213 |
| % of Sales | | 28 | 29 | 28 | 22 | 18 | 18 |
| Operating Profit | Rs. Million | 6,811 | 6,067 | 5,725 | 4,615 | 3,871 | 3,652 |
| % of Sales | | 23 | 23 | 23 | 19 | 15 | 15 |
| Profit Before Tax | Rs. Million | 6,785 | 6,051 | 5,707 | 4,599 | 3,754 | 3,594 |
| Profit After Tax | Rs. Million | 4,772 | 4,392 | 3,879 | 3,275 | 2,517 | 2,781 |
| Earnings Per Share | Rupees | 516.62 | 475.54 | 420.01 | 354.59 | 272.48 | 301.14 |
| Dividend Amount | Rs. Million | 3,925 | 5,080 | 2,679 | 1,293 | 1,247 | 1,201 |
| Dividend Percentage | | 4,250 | 5,500 | 2,900 | 1,400 | 1,350 | 1,300 |
| Capital Expenditure | Rs. Million | 196 | 742 | 870 | 1,665 | 469 | 453 |

## Resources Management

Most of our ingredients are produced mainly from corn, hence ensuring a reliable and sustainable sourcing of corn is essential. Rafhan Maize always remains in the forefront to assume its due role to support our farming community. Our Agribusiness Department in collaboration with USAID, has launched a program to eliminate the menace of Aflatoxin from corn. The program partners US Department of Agriculture (USDA), International Institute of Tropical Agriculture (IITA), US Agency for International Development (USAID), Pakistan's National Agricultural Research Centre, Centre for Agriculture and Biosciences International (CABI).

## Investment

Your Company will continue to pursue expansion and diversification plans in line with our strategic blueprint. The Company has a number of capital projects in hand to serve our strategic ambitions. We ensure our strong commitment to serve our customers by investing in capacity building, innovations and new technologies.

## Investment Value of Employees Retirement Funds:

Rafhan Maize values its employees. The Company maintains three retirement plans; one defined contribution (Provident Fund) and two defined benefit plans (Gratuity and Superannuation). The Company has established a trust for each fund and the board of trustees is responsible to manage the affairs of the funds. All the three plans are fully funded and total investment in the funds is:

| | | 2018 | 2017 |
|---|---|---|---|
| | | Rupees in Thousand | |
| Provident Fund | As at June 30 | 1,037,299 | 1,004,701 |
| Gratuity Fund | As at December 31 | 807,570 | 819,302 |
| Superannuation Fund | As at December 31 | 608,443 | 584,441 |

## Board of Directors

The Board is composed of eleven members as per following details:

| | |
|---|---|
| **Total Number of Directors** | **11** |
| **Male** | **10** |
| **Female** | **1** |

## Composition

| | |
|---|---|
| **Independent Directors** | **2** |
| **Other Non-Executive Directors** | **7** |
| **Executive Directors** | **2** |

Three non-executive directors represent the minority shareholders on the Board. The Chairman of the Board is also a non-executive director. All the current Board members are listed in the Company Information. All local directors have obtained certification as required under the provisions of (Code of Corporate Governance) Regulations, 2017.

## Attendance at Board Meetings

During the year, five meetings of the Board of Directors were held. Two meetings were held in UK and three meetings were held in Pakistan. Attendance of Directors at meetings was as under:

| Name of Director | Meetings attended in person/through video link |
|---|---|
| Pierre Perez y Landazuri | 5 |
| Usman Qayyum | 5 |
| James D. Gray | 5 |
| Jorgen Kokke* | 2 |
| Christine M. Castellano *** | 5 |
| Marcel Hergett | 5 |
| Zulfikar Mannoo | 5 |
| Mian M. Adil Mannoo | 5 |
| Wisal A. Mannoo | 5 |
| Muhammad Asdaf | 5 |
| Anis Ahmad Khan* | 3 |
| Tabish Gauhar** | 2 |
| Tahir Jawaid** | 2 |
| Andrea Astrid Miriam Pohnl **** | 0 |

* out of three meetings in their tenure *** Resigned from the Board on Feb 01, 2019.
** out of two meetings in their tenure **** Joined the Board on Feb 12, 2019.

## Remuneration Policy of Non-executive directors including Independent directors:

Non-executive directors and independent directors are paid fee for attending the meetings. The level of remuneration are appropriate and commensurate with the level of responsibility and expertise to govern the company successfully and ensure value addition.

## Transactions in Company's Shares

Directors, Executives, their spouses and minor children have made no transactions in the Company's shares during the year except as stated below -

| | | No. of shares sold | No. of shares purchased/Inherited |
|---|---|---|---|
| Wisal A. Mannoo | Director | | 120 |
| Mian M. Adil Mannoo | Director | | 18,240 |
| Ingredion Incorporated | Parent Co. | | 66,874 |

## Parent Company

Ingredion Incorporated, USA is holding majority shares of the Company.

## Auditors

The retiring auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, being eligible, offer themselves for re-appointment. The Board of Directors, on recommendations of the Audit Committee, has proposed appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants for the year 2019.

## Audit Committee

The Board of Directors has established an Audit Committee in compliance with the (Code of Corporate Governance) Regulations, 2017 comprising five Board members. Four meetings of the Audit Committee were held during the year and attended as under–

| | | Meetings attended in person/through video link |
|---|---|---|
| Zulfikar Mannoo | Non-Executive Director | 4 |
| James D. Gray | Non-Executive Director | 4 |
| Christine M. Castellano | Non-Executive Director | 4 |
| Marcel Hergett | Non-Executive Director | 4 |
| Anis Ahmad Khan* | Independent Director | 3 |
| Tabish Gauhar**(Chairman) | Independent Director | 1 |

* out of three meetings in his tenure ** out of one meeting in his tenure.

## Human Resource & Remuneration Committee

The Board of Directors has established a Human Resource & Remuneration Committee comprising following five Board members. During the year, two meetings of the Committee were held and attended as under –

| | | | No. of Meetings Attended |
|---|---|---|---|
| Jorgen Kokke | Ex-Chairman | Non-Executive Director | 2 |
| Pierre Perez y Landazuri | Member | Non-Executive Director | 2 |
| Usman Qayyum | Member | Executive Director | 2 |
| Christine M. Castellano* | Member | Non-Executive Director | 0 |
| Zulfikar Mannoo | Member | Non-Executive Director | 2 |
| Tahir Jawaid* | Chairman | Independent Director | 0 |

* No meeting was held in their tenure

## Shares Transfer Committee

The Board of Directors has established a Shares Transfer Committee comprising two Board members. Seven meetings of the Shares Transfer Committee were held during the year and attended as under -

| | | No. of Meetings Attended |
|---|---|---|
| Usman Qayyum | Chairman | 7 |
| Muhammad Asdaf | Member | 7 |
| Anis Ahmad Khan* | Member | 3 |

* out of five meetings in his tenure.

The Committee met from time to time to consider and approve valid transfers and transmissions of shares or any business related thereto.

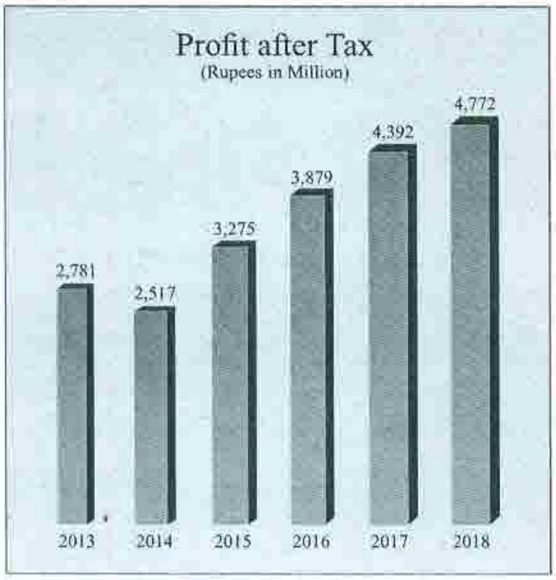
## Pattern of Shareholding

Pattern of Shareholding as on December 31, 2018, according to requirements of (Code of Corporate Governance) Regulations, 2017 and a statement reflecting distribution of shareholding appears at the end of this report.

## Dividend

The Company has already paid three interim dividends @1,000% each. The Directors now propose a final dividend of 1,250% making the total 4,250% for the year.

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





On behalf of the Board

**Muhammad Asdaf**
**Chief Financial Officer**

**Usman Qayyum**
**Chief Executive and Managing Director**

February 12, 2019

# Stakeholders' Information

## Performance Indicators for Six Years

| | | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|
| **Profit and Loss Account** | | | | | | | |
| Net turnover | Rs. Million | 29,564.16 | 26,018.10 | 25,297.59 | 24,618.08 | 25,196.60 | 23,672.63 |
| Gross profit | Rs. Million | 8,189.29 | 7,425.47 | 6,952.44 | 5,454.14 | 4,656.97 | 4,212.81 |
| Operating profit | Rs. Million | 6,811.05 | 6,066.63 | 5,725.21 | 4,614.70 | 3,870.89 | 3,651.55 |
| Profit before tax | Rs. Million | 6,785.22 | 6,051.02 | 5,707.38 | 4,599.40 | 3,753.87 | 3,593.50 |
| Profit after tax | Rs. Million | 4,771.70 | 4,392.26 | 3,879.43 | 3,275.17 | 2,516.77 | 2,781.48 |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | Rs. Million | 7,263.39 | 6,586.27 | 6,177.46 | 5,061.95 | 4,323.83 | 4,029.96 |
| **Balance Sheet** | | | | | | | |
| Share capital | Rs. Million | 92.36 | 92.36 | 92.36 | 92.36 | 92.36 | 92.36 |
| Reserves | Rs. Million | 13,051.92 | 12,209.82 | 12,941.14 | 11,581.42 | 9,589.08 | 8,330.60 |
| Shareholders funds | Rs. Million | 13,144.28 | 12,302.18 | 13,033.50 | 11,673.79 | 9,681.45 | 8,422.96 |
| Property, plant and equipment | Rs. Million | 6,706.84 | 6,521.95 | 5,500.06 | 4,567.11 | 4,733.19 | 4,909.26 |
| Net current assets / (liabilities) | Rs. Million | 6,932.23 | 5,940.79 | 6,944.24 | 5,906.42 | 5,179.50 | 3,953.42 |
| Long term / deferred liabilities | Rs. Million | 758.83 | 854.51 | 968.41 | 644.89 | 675.06 | 708.05 |
| Total assets | Rs. Million | 16,901.62 | 16,743.82 | 16,424.70 | 14,606.23 | 12,898.08 | 11,920.48 |
| **Profitability Ratios** | | | | | | | |
| Gross profit ratio | Percentage | 27.70 | 28.54 | 27.48 | 22.16 | 18.48 | 17.80 |
| Net profit to sales | Percentage | 16.14 | 16.88 | 15.34 | 13.30 | 9.99 | 11.75 |
| EBITDA margin to sales | Percentage | 24.57 | 25.31 | 24.42 | 20.56 | 17.16 | 17.02 |
| Operating leverage | Percentage | 0.90 | 2.09 | 8.72 | (8.37) | 0.93 | 0.50 |
| Return on equity | Percentage | 36.30 | 35.70 | 29.77 | 28.06 | 26.00 | 33.02 |
| Return on capital employed | Percentage | 34.32 | 33.38 | 27.71 | 26.59 | 24.30 | 30.46 |
| **Liquidity Ratios** | | | | | | | |
| Current ratio | Times | 3.31 | 2.66 | 3.87 | 3.58 | 3.04 | 2.42 |
| Quick/ Acid test ratio | Times | 1.92 | 1.26 | 2.07 | 1.77 | 1.70 | 0.41 |
| Cash to current liabilities | Times | 1.42 | 0.88 | 1.56 | 1.22 | 1.23 | 0.02 |
| Cash flow from operations to sales | Times | 0.21 | 0.16 | 0.18 | 0.11 | 0.20 | 0.05 |
| **Activity / Turnover Ratios** | | | | | | | |
| Inventory turnover ratio | Times | 5.12 | 3.72 | 4.22 | 4.63 | 6.03 | 3.47 |
| No. of days in inventory | Days | 71.29 | 98.12 | 86.49 | 78.83 | 60.53 | 105.19 |
| Debtors turnover ratio | Times | 23.94 | 23.21 | 25.78 | 24.52 | 27.91 | 30.71 |
| No. of days in receivables | Days | 15.25 | 15.73 | 14.16 | 14.89 | 13.08 | 11.89 |
| Creditors turnover ratio | Times | 7.93 | 5.37 | 8.03 | 9.13 | 9.33 | 7.61 |
| No. of days in payables | Days | 46.03 | 67.97 | 45.45 | 39.98 | 39.12 | 47.96 |
| Total assets turnover ratio | Times | 1.75 | 1.55 | 1.54 | 1.69 | 1.95 | 1.99 |
| Fixed assets turnover ratio | Times | 4.41 | 3.99 | 4.60 | 5.39 | 5.32 | 4.82 |
| Operating cycle | Days | 48.34 | 50.03 | 55.21 | 44.99 | 49.84 | 48.98 |
| **Investment / Market Ratios** | | | | | | | |
| Earnings per share | Rupees | 516.62 | 475.54 | 420.01 | 354.59 | 272.48 | 301.14 |
| Price earning ratio | Times | 131.63 | 14.30 | 20.87 | 25.52 | 41.12 | 26.79 |
| Dividend yield ratio | Percentage | 1.00 | 8.00 | 3.00 | 2.00 | 1.00 | 2.00 |
| Dividend payout ratio | Percentage | 82.27 | 115.66 | 69.05 | 39.48 | 49.54 | 43.17 |
| Dividend cover ratio | Times | 1.22 | 0.86 | 1.45 | 2.53 | 2.02 | 2.32 |
| Cash dividend per share | Rupees | 425.00 | 550.00 | 290.00 | 140.00 | 135.00 | 130.00 |
| Stock Dividend (Bonus) per share | Percentage | - | - | - | - | - | - |
| Market value per share at the end of the year | Rupees | 6,750.00 | 6,800.00 | 8,764.36 | 9,050.00 | 11,203.80 | 8,067.38 |
| Market value per share during the year (High) | Rupees | 8,814.00 | 8,764.36 | 9,100.00 | 12,000.00 | 12,600.00 | 8,450.00 |
| Market value per share during the year (Low) | Rupees | 6,555.95 | 6,500.00 | 6,800.00 | 8,400.00 | 6,365.00 | 3,485.00 |
| Break-up value per share - Refer note below | | | | | | | |
| - Without surplus on revaluation of fixed assets | Rupees | 1,423.09 | 1,331.92 | 1,411.10 | 1,263.89 | 1,048.18 | 911.93 |
| - Including the effect of surplus on revaluation of fixed assets | Rupees | 1,423.09 | 1,331.92 | 1,411.10 | 1,263.89 | 1,048.18 | 911.93 |
| **Capital Structure Ratios** | | | | | | | |
| Financial leverage ratio | Times | - | - | - | - | - | 0.01 |
| Weighted average cost of debt | Percentage | 7.70 | 6.66 | 6.66 | 7.41 | 10.65 | 9.78 |
| Debt : Equity ratio | Times | - | - | - | - | - | - |
| Interest cover | Times | 263.77 | 388.51 | 321.01 | 301.71 | 33.08 | 62.90 |

Note: The Company has not carried out any revaluation, hence there is no surplus on revaluation of fixed assets.

## Summary of Cash Flow Statement

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| | | | (Rupees in Thousand) | | | |
| Cash flows from operating activities | 6,154,895 | 4,262,705 | 4,560,404 | 2,644,295 | 4,950,060 | 1,214,757 |
| Cash used in investing activities | (186,339) | (734,643) | (868,588) | (1,666,864) | (440,975) | (448,813) |
| Cash used in financing activities | (4,855,257) | (4,167,556) | (2,689,496) | (1,306,852) | (1,450,576) | (1,215,142) |
| | 1,113,300 | (639,494) | 1,002,320 | (329,421) | 3,058,509 | (449,198) |
| Opening cash and cash equivalents | 3,149,236 | 3,788,730 | 2,786,410 | 3,115,831 | 57,322 | 506,520 |
| Closing cash and cash equivalents | **4,262,536** | **3,149,236** | 3,788,730 | 2,786,410 | 3,115,831 | 57,322 |

## Cash flow Statement - Direct Method

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| | | | (Rupees in Thousand) | | | |
| **Cash flows from operating activities** | | | | | | |
| Cash received from customers | 29,449,871 | 25,878,351 | 25,320,461 | 24,516,614 | 25,064,880 | 23,644,067 |
| Cash paid to suppliers and employees | (21,460,606) | (19,960,200) | (19,262,533) | (20,443,465) | (19,072,748) | (21,638,434) |
| Interest income received | 125,353 | 111,404 | 123,665 | 82,006 | 30,047 | 3,074 |
| Taxes paid | (1,959,723) | (1,766,850) | (1,621,189) | (1,510,860) | (1,072,119) | (793,950) |
| Net cash flows from operating activities | 6,154,895 | 4,262,705 | 4,560,404 | 2,644,295 | 4,950,060 | 1,214,757 |
| **Cash flows from investing activities** | | | | | | |
| Property, plant and equipment | (195,852) | (741,858) | (870,327) | (1,665,395) | (468,727) | (452,894) |
| Sale proceeds of property, plant and equipment | 10,884 | 7,977 | 7,138 | 2,325 | 28,244 | 4,421 |
| Disbursement of long term loans | (9,746) | (8,400) | (12,700) | (8,000) | (3,440) | (3,600) |
| Repayment from long term loans | 8,375 | 7,638 | 7,301 | 4,206 | 2,948 | 3,260 |
| Net cash used in investing activities | (186,339) | (734,643) | (868,588) | (1,666,864) | (440,975) | (448,813) |
| **Cash flows from financing activities** | | | | | | |
| Dividend paid | (4,829,487) | (4,151,927) | (2,671,639) | (1,291,579) | (1,246,203) | (1,199,955) |
| Finance cost paid | (25,770) | (15,629) | (17,857) | (15,273) | (123,985) | (95,575) |
| Increase / (Decrease) in short term running finances | - | - | - | - | (80,388) | 80,388 |
| Net cash used in financing activities | (4,855,257) | (4,167,556) | (2,689,496) | (1,306,852) | (1,450,576) | (1,215,142) |
| Net increase / (Decrease) in cash and cash equivalents | 1,113,299 | (639,494) | 1,002,320 | (329,421) | 3,058,509 | (449,198) |
| Cash and cash equivalents at the beginning of the year | 3,149,236 | 3,788,730 | 2,786,410 | 3,115,831 | 57,322 | 506,520 |
| Effect of exchange rate fluctuations | - | - | - | - | - | - |
| Cash and cash equivalents at the end of the year | 4,262,535 | 3,149,236 | 3,788,730 | 2,786,410 | 3,115,831 | 57,322 |

# Comments on Financial Analysis

We have sustained our success by anticipating the future and continuously adapting ourselves to harness the opportunities. In 2018, we continued to invest on new concepts, building capacities and enhancing capabilities by investing Rs. 196 million on capital expenditure.

The company embarked on a cost saving exercise to mitigate the pressure on cost, and continues its efforts to optimize production, improving plant yields, realize energy savings and focus on customer relationships as a source of new business opportunities.

### Profitability Ratios

The company has succeeded to increase sales by 13.6% mainly on account of higher sales of Liquid Glucose, Dextrose and Starch. The gross profit also grew by 10% and after tax net Income by 8.64%. Return on equity 36.30% has also increased over 2017.Increase in revenue is due to increase in sales volume of head products.

### Liquidity Ratios

The Company has maintained excellent current ratio 3.3 that increased slightly compared with last year mainly due to decrease in stock in trade and increase in cash & Bank balances. Cash to current liabilities ratio also increased as compared with last year.

### Activity / Turnover Ratios

Our company have been strategically able to reduce its operating cycle as compared with last year mainly due to decrease in inventory turnover ratio.

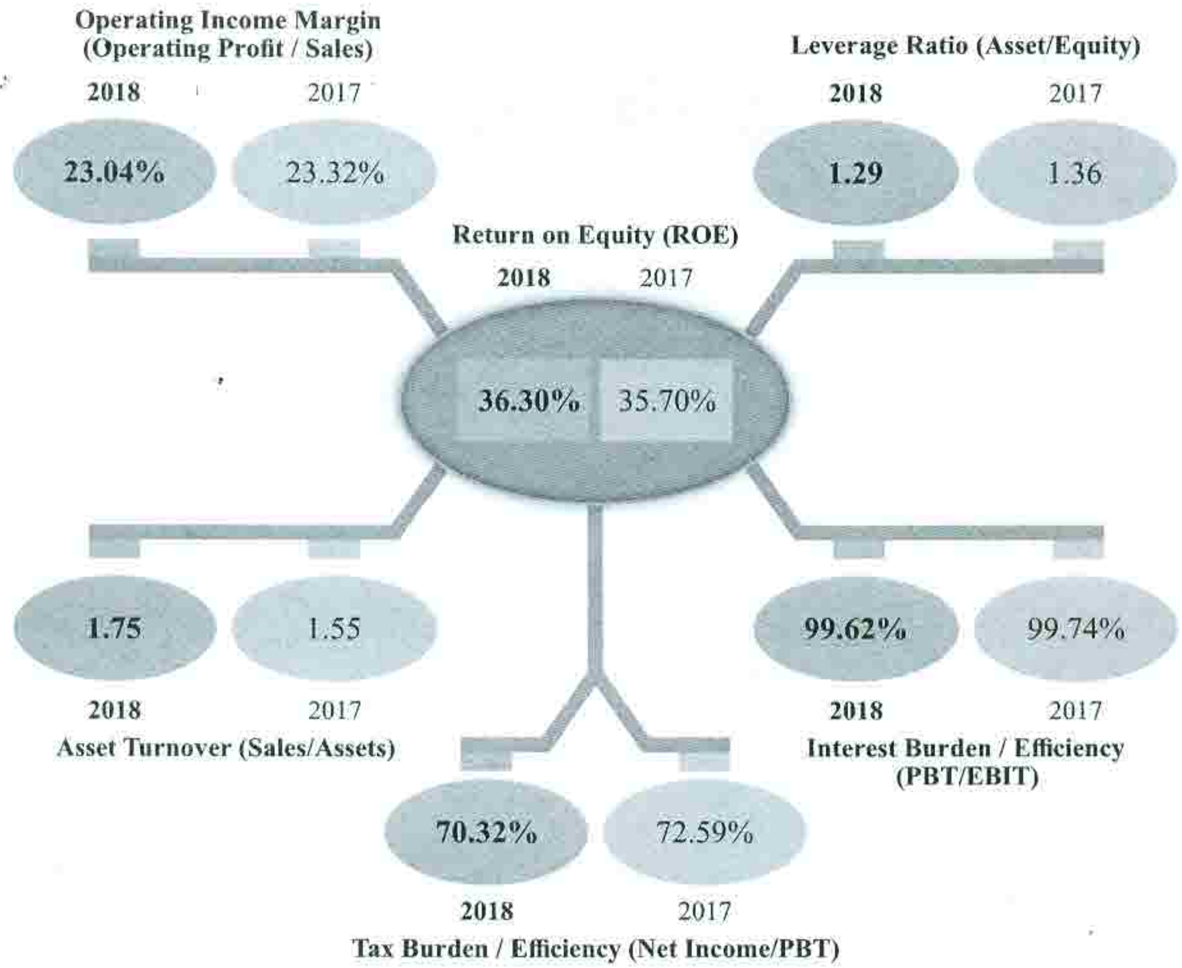
### Investment / Market Ratios

EPS of the company has increased by 8.6% due to reasons explained above.

### Capital Structure Ratios

The company is fully operated on equity capital, no long term debt hence Debt to Equity ratio is zero.

# DuPont Analysis




**Leverage Ratio (Assets/ Equity)**
Decreased mainly due to increase in equity through profit earned during the period.

**Interest Burden / Efficiency (PBT/EBIT)**
Minor variance.

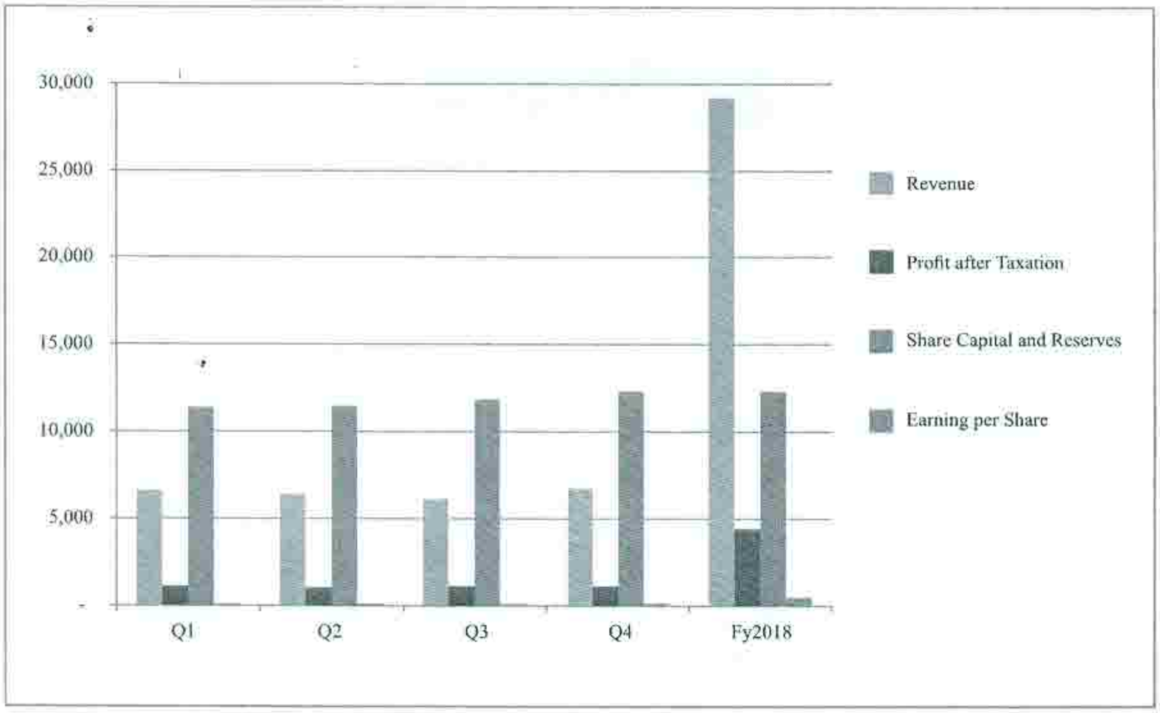
**Tax Burden / Efficiency (Net Income/PBT)**
Decreased due to increase in tax on profit earned during the period.

**Asset Turnover (Sales/ Assets)**
Slight improvement due to increase in revenue.

**Operating Income Margin**
Minor variance.

**Return on Equity (ROE)**
Return on Equity increased due to growth in net profit by 8.64% vs. last year.

# Quarterly Analysis




| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total |
|---|---|---|---|---|---|
| | | ..........Rs Million............ | | | |
| Revenue | 7,082 | 7,188 | 6,988 | 8,306 | 29,564 |
| Profit after Taxation | 1,086 | 1,046 | 1,210 | 1,429 | 4,771 |
| Share Capital and Reserves | 12,234 | 12,357 | 12,643 | 13,144 | 13,144 |
| Earning Per Share (Rupees) | 117.63 | 113.26 | 131.01 | 154.71 | 516.62 |

Comments on variation in interim results and the manner in which each quarter contributed to the overall annual results.

**Net-Sales**

Sales revenue increased by 13.6% as compared to last year. This increase in revenue over the periods is attributable to volumetric increase of head products. Moreover, variation in sales revenue quarter to quarter is due to seasonal impact and overall industrial growth.

**Profit after Taxation**

Profit after Taxation increased by 8.6% over last year mainly due to increase in sales volume and gross profit margin.

**Share Capital and Reserves**

Share capital and reserves increased by 6.85% over last year mainly due to profit earned during the year.

**Earnings per Share**

Earning per Share directly relate with respective changes in Profit after Tax during the year.

## Sensitivity Analysis

The company is mainly dealing in US Dollars; hence sensitivity analysis has been made against USD only.

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, before tax profit for the year would have been lower by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign debtors, foreign currency bank account and trade and other payables.

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in thousands) | |
| ***Effect on profit and loss*** | | |
| US Dollar | **13,310** | 3,889 |

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the post tax profit.

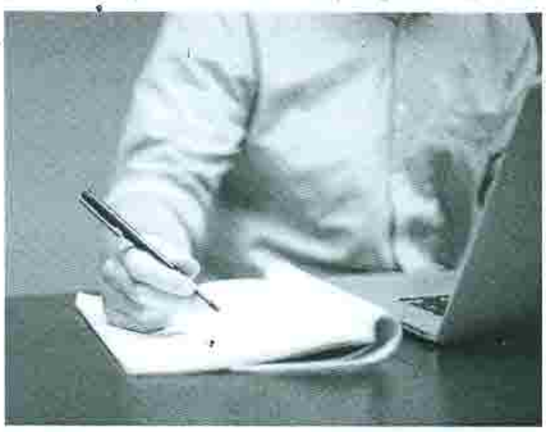
The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

## Statement of Value Added and its Distribution

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | (Rupees in thousands) | | | |
| **VALUE ADDED** | | | | |
| Net sales | 29,564,160 | | 26,018,104 | |
| Material and services | (20,376,661) | | (17,517,632) | |
| Other income - net | 255,066 | | 193,181 | |
| Foreign Exchange Gain / (Loss) | - | | (5,974) | |
| | **9,442,565** | | **8,687,679** | |
| **DISTRIBUTION** | | % | | % |
| **EMPLOYEES REMUNERATION** | | | | |
| Salaries, wages and amenities | 1,700,882 | 18.0 | 1,673,837 | 19.3 |
| **FINANCIAL CHARGES TO PROVIDERS OF FINANCE** | | | | |
| Finance Cost | 25,822 | 0.3 | 15,615 | 0.2 |
| **GOVERNMENT AS TAXES** | | | | |
| Tax | 2,013,519 | 21.3 | 1,658,758 | 19.1 |
| Workers profit participation fund | 339,235 | 3.6 | 302,519 | 3.5 |
| Workers welfare fund | 132,803 | 1.4 | 117,114 | 1.3 |
| | 2,485,557 | 26.3 | 2,078,391 | 23.9 |
| **SHAREHOLDERS AS DIVIDEND** | | | | |
| Dividend | 3,925,483 | 41.6 | 5,080,035 | 58.5 |
| **SOCIETY WELFARE** | | | | |
| Donations | 6,252 | 0.1 | 7,941 | 0.1 |
| **RETAINED WITHIN THE BUSINESS** | | | | |
| Depreciation/amortization | 452,347 | 4.8 | 519,638 | 6.0 |
| Retained profit | 846,222 | 9.0 | (687,778) | (7.9) |
| | 1,298,569 | 13.8 | (168,140) | (1.9) |
| | **9,442,565** | **100** | **8,687,679** | **100** |

# Independent Auditor's Review Report

To the members of Rafhan Maize Products Company Limited
Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2018



We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Rafhan Maize Products Company Limited for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2018.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph 2, of the Statement of Compliance, that the Company is in the process of seeking a waiver from the requirement of Regulation 6(1) of CCG regulations 2017, regarding minimum number of independent directors.

KPMG Taseer Hadi & Co.

**KPMG Taseer Hadi & Co.**
**Chartered Accountants**
**(Kamran Iqbal Yousafi)**

Lahore
February 12, 2019

# Statement of Compliance with Listed Companies

(Code of Corporate Governance) Regulations, 2017 - Year Ended December 31, 2018

The company has complied with the requirements of the Regulations in the following manner:

1) The total number of directors are 11 as per the following:
   a. Male: Ten (10)
   b. Female: One (1)

2) The composition of board is as follows:

| Category | Names |
|---|---|
| Independent Director | Tabish Gauhar<br>Tahir Jawaid |
| Other Non-Executive Directors | Pierre Perez y Landazuri<br>James D. Gray<br>Christine M. Castellano<br>Marcel Hergett<br>Zulfikar Mannoo<br>Mian M. Adil Mannoo<br>Wisal A. Mannoo |
| Non-Executive Directors | Usman Qayyum<br>Muhammad Asdaf |

The company is in the process of seeking a waiver from the requirement of Regulation 6(1) of CCG Regulations 2017, regarding minimum number of independent directors.

3) The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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

5) The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6) All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Act and these Regulations.

7) The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8) The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9) The Board has arranged Directors' Training program for the following:

| Name of Director | Month of Completion |
|---|---|
| Usman Qayyum | July, 2018 |
| Muhammad Asdaf | September, 2018 |
| Tabish Gauhar | September, 2018 |
| Tahir Jawaid | January, 2019 |

10) The board has approved/ ratified appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11) CFO and CEO duly endorsed the financial statements before approval of the board.

12) The board has formed committees comprising of members given below:

| a) Audit Committee | |
|---|---|
| Tabish Gauhar | Chairman |
| James D. Gray | Member |
| Marcel Hergett | Member |
| Christine M. Castellano | Member |
| Zulfikar Mannoo | Member |

| b) HR and Remuneration Committee | |
|---|---|
| Tahir Jawaid | Chairman |
| Pierre Perez y Landazuri | Member |
| Usman Qayyum | Member |
| Christine M. Castellano | Member |
| Zulfikar Mannoo | Member |

13) The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14) The frequency of meetings (quarterly/half yearly/yearly) of the committee were as per following:

   **a)** Audit Committee: Four quarterly meetings during the financial year ended December 31, 2018.

   **b)** HR and Remuneration Committee: Two meetings during the financial year ended December 31, 2018.

15) The board has set up an effective internal audit function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

16) The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18) We confirm that all other requirements of the Regulations have been complied with.

**Usman Qayyum**
**Chief Executive and**
**Managing Director**

**Pierre Perez y Landazuri**
**Chairman**

February 12, 2019

# Independent Auditor's Report

To the members of Rafhan Maize Products Company Limited
Report on the audit of the Financial Statements

**Opinion**

We have audited the annexed financial statements of Rafhan Maize Products Company Limited ("the Company"), which comprise of the statement of financial position as at 31 December 2018, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the profit or loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matter(s):

| S. No. | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| | **Revenue recognition** | Our audit procedures included the following: |
| 1) | Refer to note 21 to the financial statements and the accounting policy in note 4.10 to the financial statements.<br><br>The Company recognized revenue of Rs. 29,564 million from the sale of goods to domestic as well as export customers during the year ended 31 December 2018.<br><br>We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to a risk that revenue is recognized without transferring the risk and rewards. | • Obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls;<br><br>• Assessing the appropriateness of the Company's accounting policies for recording of sales and compliance of those policies with applicable accounting standards;<br><br>• Comparing, on a sample basis, sales transactions recorded during the year and around the year end with the sales orders, sales |

| S. No. | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| | | invoices, delivery challans, bill of ladings and other relevant underlying documents including contracts with customers to assess whether sales were recorded in appropriate financial reporting period;<br>• Inspecting on a sample basis, credit notes issued around the year end to evaluate whether the adjustments to sales had been accurately recorded in the appropriate financial reporting period; and<br>• Scanning for any manual journal entries relating to sales recorded during the year which were considered to be material or met other specific risk based criteria for inspecting underlying documentation. |
| 2) | **Employees retirement benefits**<br>Refer to note 6 and the accounting policy note 4.3 to the financial statements.<br>The Company employees' retirement benefits obligation is stated at Rs. 1,254.5 million which is net of fair value of plan assets amounting to Rs. 1,416 million as 31 December 2018.<br>The determination of employee retirement benefits obligations is dependent on a number of actuarial assumptions including discount rate, rate of increase in future salaries and mortality rates and a small change in these assumptions can have a significant impact on the financial statements.<br>We identified valuation of staff retirement benefits obligations as a key audit matter as the determination of the obligation involves a considerable degree of judgement and estimation. | Our procedures to assess the valuation of staff retirement benefits, amongst others, included the following:<br>• Obtaining an understanding of the process related to determination of staff retirement benefits obligations including evaluating the competence and independence of the actuary appointed by the management;<br>• Comparing the data shared with the actuary appointed by the management (to determine the staff retirement benefits obligations) with the Company's record to assess its accuracy and completeness;<br>• Engaging our own independent actuarial specialist to review the actuarial valuations of the Company's staff retirement benefit plans (conducted by the actuary appointed by the Company); and<br>• Assessing the appropriateness of disclosures made in the financial statements in accordance with applicable financial reporting standards. |

**Information other than the financial statements and auditor's report thereon**

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended **31 December 2018**, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management and board of directors for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

Based on our audit, we further report that in our opinion:

a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Kamran Iqbal Yousafi.

KPMG Taseer Hadi & Co.

**KPMG Taseer Hadi & Co.**
**Chartered Accountants**
**(Kamran Iqbal Yousafi)**

Lahore
12 February 2019

# Statement of Financial Position
As at 31 December 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| ***Non-current assets*** | | | |
| Property, plant and equipment | 5 | **6,764,602** | 7,027,104 |
| Employees retirement benefits | 6 | **161,551** | 178,980 |
| Long term loans | 7 | **9,872** | 9,817 |
| Long term deposits | | **34,852** | 34,444 |
| | | **6,970,877** | 7,250,345 |
| ***Current assets*** | | | |
| Stores and spares | 8 | **751,498** | 620,944 |
| Stock in trade | 9 | **3,422,783** | 4,377,194 |
| Trade debts | 10 | **1,234,886** | 1,121,006 |
| Loans and advances | 11 | **111,085** | 98,162 |
| Short term prepayments | 12 | **111,484** | 101,556 |
| Other receivables | 13 | **36,466** | 25,372 |
| Cash and bank balances | 14 | **4,262,536** | 3,149,236 |
| | | **9,930,738** | 9,493,470 |
| ***Current liabilities*** | | | |
| Trade and other payables | 15 | **2,696,764** | 2,517,601 |
| Unpaid dividend | | **25,126** | 898,742 |
| Unclaimed dividend | | **14,824** | 45,212 |
| Mark-up accrued on short term running finances | | **52** | - |
| Provision for taxation - net | | **261,739** | 125,568 |
| | | **2,998,505** | 3,587,123 |
| **Working capital** | | **6,932,233** | 5,906,347 |
| **Total capital employed** | | **13,903,110** | 13,156,692 |
| ***Non-current liabilities*** | | | |
| Deferred taxation | 16 | **758,830** | 854,513 |
| **Net capital employed** | | **13,144,279** | 12,302,179 |
| ***Represented by:*** | | | |
| ***Share capital and reserves*** | | | |
| Share capital | 17 | **92,364** | 92,364 |
| Reserves | 18 | **13,051,915** | 12,209,815 |
| **Contingencies and commitments** | 19 | | |
| | | **13,144,279** | 12,302,179 |

The annexed notes 1 to 41 form an integral part of these financial statements.

| Muhammad Asdaf | Usman Qayyum | Zulfikar Mannoo |
|---|---|---|
| Director | Chief Executive and Managing Director | Director |

# Statement of Profit or Loss

For the year ended 31 December 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| Sales - net | 21 | **29,564,160** | 26,018,104 |
| Cost of sales | 22 | **(21,374,866)** | (18,592,634) |
| **Gross profit** | | **8,189,294** | 7,425,470 |
| Distribution expenses | 23 | **(694,381)** | (638,768) |
| Administrative expenses | 24 | **(466,895)** | (487,646) |
| Other income | 25 | **255,066** | 193,181 |
| Other expenses | 26 | **(472,038)** | (425,607) |
| | | **(1,378,248)** | (1,358,840) |
| **Operating profit** | | **6,811,046** | 6,066,630 |
| Finance cost | 27 | **(25,822)** | (15,615) |
| **Profit before taxation** | | **6,785,224** | 6,051,015 |
| Taxation | 28 | **(2,013,519)** | (1,658,758) |
| **Profit after taxation** | | **4,771,705** | 4,392,257 |
| Earnings per share - basic and diluted (Rupees) | 29 | **516.62** | 475.54 |

The annexed notes 1 to 41 form an integral part of these financial statements.

**Muhammad Asdaf**
**Director**

**Usman Qayyum**
**Chief Executive and Managing Director**

**Zulfikar Mannoo**
**Director**

# Statement of Comprehensive Income
For the year ended 31 December 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| **Profit for the year** | | **4,771,705** | 4,392,257 |
| ***Other comprehensive income for the year*** | | | |
| *Items that will not be reclassified to profit and loss:* | | | |
| Actuarial loss on retirement benefits recognized directly in equity | *6.3* | **(17,429)** | (62,204) |
| Deferred tax on actuarial loss recognized directly in equity | *16.1* | **13,308** | 18,661 |
| | | **(4,121)** | (43,543) |
| **Total comprehensive income for the year** | | **4,767,583** | 4,348,714 |

The annexed notes 1 to 41 form an integral part of these financial statements.

| | | |
|---|---|---|
| **Muhammad Asdaf**<br>**Director** | **Usman Qayyum**<br>**Chief Executive and Managing Director** | **Zulfikar Mannoo**<br>**Director** |

# Statement of Cash Flow
For the year ended 31 December 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| ***Cash flows from operating activities*** | | | |
| **Cash generated from operations** | 30 | **8,037,712** | 5,954,159 |
| Taxes paid | | **(1,959,723)** | (1,766,850) |
| Employees retirement benefits paid | | **(48,447)** | (36,008) |
| Interest received | | **125,353** | 111,404 |
| | | **(1,882,817)** | (1,691,454) |
| **Net cash generated from operating activities** | | **6,154,895** | 4,262,705 |
| ***Cash flows from investing activities*** | | | |
| Capital expenditure incurred | | **(195,852)** | (741,858) |
| Proceeds from sale of property, plant and equipment | | **10,884** | 7,977 |
| Long term loans disbursed | | **(9,746)** | (8,400) |
| Receipt from long term loans disbursed | | **8,375** | 7,638 |
| **Net cash used in investing activities** | | **(186,339)** | (734,643) |
| ***Cash flows from financing activities*** | | | |
| Dividend paid | | **(4,829,487)** | (4,151,927) |
| Finance cost paid | | **(25,770)** | (15,629) |
| **Net cash used in financing activities** | 37 | **(4,855,257)** | (4,167,556) |
| **Net increase/(decrease) in cash and cash equivalents** | | **1,113,300** | (639,494) |
| **Cash and cash equivalents at the beginning of the year** | | **3,149,236** | 3,788,730 |
| **Cash and cash equivalents at the end of the year** | 14 | **4,262,536** | 3,149,236 |

The annexed notes 1 to 41 form an integral part of these financial statements.

| Muhammad Asdaf | Usman Qayyum | Zulfikar Mannoo |
|---|---|---|
| Director | Chief Executive and Managing Director | Director |

# Statement of Changes in Equity
For the year ended 31 December 2018

| | Share capital | Capital Reserves | | Revenue Reserves | | Total |
|---|---|---|---|---|---|---|
| | | Share premium | Other | General | Un-appropriated profit | |
| | (Rupees in thousands) | | | | | |
| **Balance as at 31 December 2016** | 92,364 | 36,946 | 941 | 207 | 12,903,042 | **13,033,500** |
| ***Total comprehensive income*** | | | | | | |
| Profit for the year | - | - | - | - | 4,392,257 | **4,392,257** |
| Other comprehensive income | - | - | - | - | (43,543) | **(43,543)** |
| | - | - | - | - | 4,348,714 | **4,348,714** |
| ***Transactions with owners of the Company recognized directly in equity*** | | | | | | |
| Final dividend 2016 Rs. 300.00 per share | - | - | - | - | (2,770,928) | **(2,770,928)** |
| Ist interim dividend 2017 Rs. 100.00 per share | - | - | - | - | (923,643) | **(923,643)** |
| 2nd interim dividend 2017 Rs. 75.00 per share | - | - | - | - | (692,732) | **(692,732)** |
| 3rd interim dividend 2017 Rs. 75.00 per share | - | - | - | - | (692,732) | **(692,732)** |
| | - | - | - | - | (5,080,035) | **(5,080,035)** |
| **Balance as at 31 December 2017** | 92,364 | 36,946 | 941 | 207 | 12,171,721 | **12,302,179** |
| ***Total comprehensive income*** | | | | | | |
| Profit for the year | - | - | - | - | 4,771,705 | **4,771,705** |
| Other comprehensive loss | - | - | - | - | (4,121) | **(4,121)** |
| | - | - | - | - | 4,767,583 | **4,767,583** |
| ***Transactions with owners of the Company recognized directly in equity*** | | | | | | |
| Final dividend 2017 (Rs. 125.00 per share) | - | - | - | - | (1,154,554) | **(1,154,554)** |
| Ist interim dividend 2018 (Rs. 100.00 per share) | - | - | - | - | (923,643) | **(923,643)** |
| 2nd interim dividend 2018 (Rs. 100.00 per share) | - | - | - | - | (923,643) | **(923,643)** |
| 3nd interim dividend 2018 (Rs. 100.00 per share) | - | - | - | - | (923,643) | **(923,643)** |
| | - | - | - | - | (3,925,483) | **(3,925,483)** |
| **Balance as at 31 December 2018** | **92,364** | **36,946** | **941** | **207** | **13,013,821** | **13,144,279** |

The annexed notes 1 to 41 form an integral part of these financial statements.

| | | |
|---|---|---|
| **Muhammad Asdaf** | **Usman Qayyum** | **Zulfikar Mannoo** |
| **Director** | **Chief Executive and Managing Director** | **Director** |

## 1 Corporate and general information

**1.1** Rafhan Maize Products Company Limited ("the Company") was incorporated in Pakistan as a Public unlisted company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and was subsequently listed on the Pakistan Stock Exchange. Ingredion Inc. Chicago, U.S.A., holds majority shares of the Company. 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.

The geographical locations and addresses of the Company's business units, including production facilities are as under:

- Head office, Registered office and Plant 1: Rakh Canal, East Road, Faisalabad
- Regional office: Finlay House, I.I. Chundrigar Road, Karachi
- Plant 2: Cornwala Plant, 5-KM Jaranwala-Khurrianwala Road, Jaranwala
- Plant 3: Mehran Plant, K.B. Feeder Road, Kotri, Jamshoro

### 1.2 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Dextrose plant having installed capacity of 50 tonnes per day at Cornwala plant became fully operational during the year.
- Additional impact of super tax during the year amounting to Rs. 128 million impacted the after tax profit of the Company.
- Due to the first time application of financial reporting requirements under the Companies Act, 2017 (the Act) including disclosure and presentation requirements of the fourth schedule of the Act, certain additional disclosures and minor reclassifications have been accounted for in the financial statements.

## 2 Basis of preparation

### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act 2017;
- Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

In case requirements of provisions and directives issued under the Companies Act, 2017, differ from requirements of IFRSs and IFASs, the provisions of and directives issued under the Companies Act, 2017 shall prevail.

2.2 **Functional and presentation currency**

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

3 **New standards amendments to approved accounting standards and interpretations which became effective during the year ended 31 December 2018**

3.1 During the year certain amendments to standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statement of the Company.

3.2 **Application of Companies Act, 2017**

The Companies Act, 2017 became applicable for accounting period ending on or after 30 June 2018. The new Act specified certain additional disclosures to be included in the financial statements. Accordingly, the Company has presented the required disclosures in these financial statements and represented certain comparatives. However there was no change in the reported amounts of statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows, due to these re-presentations.

3.3 **The following amendments, interpretation of approved accounting standards and annual improvement cycle will be effective for accounting periods beginning on or after 01 January 2019:**

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. The management has completed an initial assessment of changes required in revenue recognition policies on adoption of the standard and considers that the impact would not be significant on the Company's financial statements.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.The management has completed an initial assessment of changes required in classification and measurement of financial instruments on adoption of the standard and has also carried out an initial exercise to calculate impairment required under expected credit loss model and considers that the impact would not be significant on the Company's financial statements.

- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard. The management has completed an initial assessment and considers that the impact would not be significant on the Company's financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 *Income Taxes* - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on Company's financial statements.

## 3 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for:

- certain foreign currency translation adjustments;
- recognition of employee retirement benefits at present value; and
- derivative financial instruments.

## 4 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies have been consistently applied to all years presented.

### 4.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost of certain property, plant and equipment comprises of historical cost, exchange differences recognized, for the acquisition of property, plant and equipment up to the commencement of commercial production and the cost of borrowings during construction period in respect of loans taken, if any, for specific projects.

Depreciation charge is based on the straight-line method whereby the cost of an asset is written off to profit or loss account over its estimated useful life after taking into account the residual value, if material. Depreciation on additions is charged from the month in which the asset is available for use and on disposals is charged up to the month preceding the disposal. The rate of depreciation is specified in Note 5.1 to these financial statements.

The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

Maintenance and normal repairs are charged to profit or loss account as and when incurred. Improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably. Assets replaced, if any, are derecognized.

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

***Capital work-in-progress***

Capital work in progress and stores held for capital expenditure are stated at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

**4.2 Intangibles**

Intangibles are recognized when it is probable that the expected future economic benefits will flow to the entity and the cost of the asset can be measured reliably. Intangibles having finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Cost of the intangible asset includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Amortization is based on the cost of an asset less its residual value, if any. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

**4.3 Employees retirement benefits**

The Company's retirement benefit plans comprise of provident fund, pension and gratuity schemes for eligible retired employees.

***Defined benefit plans***

The Company operates a funded gratuity scheme for all its employees and an approved pension fund for officers and above-grade employees, having a service period of minimum 10 years. The pension and gratuity schemes are salary schemes providing pension and lump sums, respectively. The pension and gratuity plans are final salary plans. The Company recognizes expense in accordance with IAS 19 'Employee Benefits'.

The contributions have been made to pension and gratuity funds in accordance with the actuary's recommendations based on the actuarial valuation of these funds as at 31 December 2018.

Past-service costs are recognized immediately in profit or loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss account. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

***Defined contribution plans***

The Company operates a defined contribution approved provident fund for all its eligible employees, in which the Company and the employees make equal monthly contributions at the rate of 14% of basic salary including dearness allowance of employees.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**4.4 Stores and spares**

These are valued at lower of cost, which is calculated according to moving average method, and net realizable value. Stores in transit are valued at invoice value including other charges, if any, incurred thereon.

**4.5 Stocks in trade**

These are stated at the lower of cost and estimated net realizable value.

Cost comprises of all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition, and valuation has been determined as follows:

| | |
|---|---|
| Raw materials | Weighted average cost |
| Work-in-process and finished goods | Cost of direct materials, labour and appropriate manufacturing overheads. |

Stock in transit is valued at a cost, comprising invoice value plus other charges invoiced there on.

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

**4.6 Financial instruments**

**4.6.1 Non-derivative financial assets**

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**The Company classifies non-derivative financial assets into the following categories:**

- Financial assets at fair value through profit or loss
- Held-to-maturity financial assets
- Loans and receivables; and
- Available-for-sale financial assets.

**Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

Loans and receivables includes loans, deposits, trade debts, other receivables including accrued interest and cash and bank balances of the Company.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

- Financial assets at fair value through profit or loss;
- Held-to-maturity financial assets; and
- Available-for-sale financial assets.

**4.6.2 Non-derivative financial liabilities**

The Company initially recognises debt securities issued and subordinated liabilities, if any, on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost, using the effective interest rate method.

Other financial liabilities comprise trade payables and accrued markup.

**Share capital (Ordinary shares)**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

**4.6.3 Derivative financial instruments**

These are initially recorded at fair value on the date a derivative contract is entered into and are re-measured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company does not apply hedge accounting for any derivatives.

Any gain or loss from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

**4.7 Trade debts, recoverable advances and other receivables**

Trade debts, recoverable advances and other receivables are recognised initially at fair value and subsequently measured at amortised cost, as the case may be, less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Receivables considered irrecoverable are written off.

**4.8 Impairment**

***Financial assets***

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss account.

***Non-financial assets***

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss account.

Impairment loss recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**4.9 Provisions**

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

**4.10 Contingent liabilities**

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**4.11 Revenue recognition**

***Sale of goods***

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and sales tax.

***Interest***

Income from bank deposits and loans is recognized using the effective interest rate method.

### 4.12 Compensated absences

The Company accounts for compensated absence on the basis of unavailed earned leave balance of each employee at the end of the year.

### 4.13 Borrowings and their cost

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

### 4.14 Foreign currency translation

Transactions denominated in foreign currencies are translated into Pak Rupees, at the foreign exchange rates prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the foreign exchange rates at the reporting date. Exchange differences are taken to the profit or loss account.

### 4.15 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of profit or loss , except to the extent that it relates to items recognized directly in other comprehensive income or below equity, in which case it is recognized in other comprehensive income or below equity respectively.

***Current***

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

***Deferred***

Deferred tax is recognized using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 4.16 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

### 4.17 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is declared and approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| **5 Property, plant and equipment** | | | |
| Operating property, plant and equipment | *5.1* | **6,706,841** | 6,521,945 |
| Capital work in progress | *5.2* | **57,761** | 505,159 |
| | | **6,764,602** | 7,027,104 |

## 5.1 Operating property, plant and equipment

| | Owned assets | | | | | | |
|---|---|---|---|---|---|---|---|
| | Freehold land | Factory building on freehold land | Plant and machinery | Furniture and fittings | Vehicles | Office equipment | Total |
| | (Rupees in thousands) | | | | | | |
| *Cost* | | | | | | | |
| Balance at 01 January 2017 | 386,717 | 2,099,714 | 6,538,065 | 60,621 | 139,808 | 50,941 | 9,275,866 |
| Additions | - | 468,006 | 1,040,178 | 6,376 | 19,896 | 7,972 | 1,542,428 |
| Disposals | - | - | (3,799) | (331) | (11,038) | (107) | (15,275) |
| Balance at 31 December 2017 | 386,717 | 2,567,720 | 7,574,444 | 66,666 | 148,666 | 58,806 | 10,803,019 |
| Balance at 01 January 2018 | **386,717** | **2,567,720** | **7,574,444** | **66,666** | **148,666** | **58,806** | **10,803,019** |
| Additions | - | **28,780** | **563,164** | **7,910** | **42,537** | **859** | **643,250** |
| Disposals | - | - | **(11,015)** | **(267)** | **(10,835)** | **(399)** | **(22,516)** |
| **Balance at 31 December 2018** | **386,717** | **2,596,500** | **8,126,593** | **74,309** | **180,368** | **59,266** | **11,423,753** |
| **Rate of depreciation - %age** | - | 4% | 5% | 20% | 20% | 25% | |
| *Accumulated depreciation* | | | | | | | |
| Balance at 01 January 2017 | - | 1,324,076 | 2,261,035 | 50,915 | 101,858 | 37,923 | 3,775,807 |
| Depreciation | - | 181,662 | 311,387 | 4,379 | 14,250 | 7,960 | 519,638 |
| Disposals | - | - | (3,672) | (331) | (10,261) | (107) | (14,371) |
| Balance at 31 December 2017 | - | 1,505,738 | 2,568,750 | 54,963 | 105,847 | 45,776 | 4,281,074 |
| Balance at 01 January 2018 | - | **1,505,738** | **2,568,750** | **54,963** | **105,847** | **45,776** | **4,281,074** |
| Depreciation | - | **51,716** | **375,892** | **4,663** | **14,448** | **5,628** | **452,347** |
| Disposals | - | - | **(11,015)** | **(267)** | **(4,828)** | **(399)** | **(16,509)** |
| **Balance at 31 December 2018** | - | **1,557,454** | **2,933,627** | **59,359** | **115,467** | **51,005** | **4,716,912** |
| *Carrying amounts* | | | | | | | |
| At 31 December 2017 | 386,717 | 1,061,982 | 5,005,694 | 11,703 | 42,819 | 13,030 | 6,521,945 |
| **At 31 December 2018** | **386,717** | **1,039,046** | **5,192,966** | **14,950** | **64,901** | **8,261** | **6,706,841** |

### 5.1.1 Depreciation is allocated under:

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| Cost of sales | *22* | **435,276** | 501,714 |
| Distribution cost | *23* | **5,811** | 5,925 |
| Administrative expenses | *24* | **11,260** | 11,999 |
| | | 452,347 | 519,638 |

### 5.1.2 Following assets were disposed-off during the year:

| Particulars | Cost | Accumulated depreciation | Book value | Sale Proceeds | Gain / (Loss) | Mode of disposal | Particulars of buyer | Relationship with Company |
|---|---|---|---|---|---|---|---|---|
| | (Rupees in thousands) | | | | | | | |
| *Vehicles* | | | | | | | | |
| Honda City FD-855 | 1,552 | 1,009 | 543 | 534 | (9) | Company policy | M. Yasin Anwar | Employee |
| Toyota Corolla GLI FD-16-48 | 1,859 | 620 | 1,239 | 1,213 | (26) | Company policy | S. Raza Haider | Employee |
| Toyota Corolla GLI FDA-271 | 1,536 | 1,536 | - | 411 | 411 | Company policy | M. Ramzan Bhatti | Employee |
| Suzuki Mehran FDA-610 | 607 | 607 | - | 448 | 448 | Insurance claim | New Jubilee Insurance | Insurer |
| Toyota Fortuner LEB-5314 | 5,281 | 1,056 | 4,225 | 4,850 | 625 | Insurance claim | New Jubilee Insurance | Insurer |
| **Plant & Machinery** | 11,015 | 11,015 | - | 3,373 | 3,373 | Tender and negotiations | | |
| **Office Equipment** | 399 | 399 | - | 49 | 49 | Tender and negotiations | | |
| **Furniture and Fixtures** | 267 | 267 | - | 6 | 6 | Tender and negotiations | | |
| **2018** | **22,516** | **16,509** | **6,007** | **10,884** | **4,877** | | | |
| 2017 | 15,275 | 14,371 | 904 | 7,977 | 7,072 | | | |

**5.1.3 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:**

| Particulars | Location | Total area (square feet) |
|---|---|---|
| Rakh Canal Plant | Rakh Canal East Road, Faisalabad | 804,172 |
| Cumwala Plant | 5-KM Jaranwala-Khurrianwala Road, Jaranwala | 5,368,492 |
| Mehran Plant | K.B. Feeder Road, Kotri, Jamshoro | 2,220,210 |
| Makkuana Godown | Near makkuna Bypass, Faisalabad | 1,172,798 |
| Summandri Godown | Summandri road, Faisalabad | 505,904 |

Freehold building and plant and machinery are located on above mentioned freehold land.

**5.2 Capital work in progress**

| | Co-Gen plant | Plant expansion projects | Other miscellaneous projects | 2018 | 2017 |
|---|---|---|---|---|---|
| | (Rupees in thousands) | | | | |
| Land - note 5.2.1 | - | - | 6,814 | **6,814** | 6,814 |
| Civil works and buildings | - | - | 8,913 | **8,913** | 10,232 |
| Plant and machinery - 5.2.2 | - | - | 30,062 | **30,062** | 391,939 |
| Advances | - | - | 11,894 | **11,894** | 89,364 |
| Machinery in transit | - | - | 78 | **78** | 6,810 |
| **2018** | **-** | **-** | **57,761** | **57,761** | 505,159 |
| 2017 | 62,774 | 435,571 | 6,814 | | |

**5.2.1** This represents full payment of Rs. 1,814 thousands (2017: Rs. 1,814 thousands) and legal cost incurred Rs. 5,000 thousands (2017: Rs. 5,000 thousands) for the Company's factory land in Faisalabad in possession of the Company which was acquired from the Government in 1953 but registration of title is still pending in the name of the Company due to ongoing litigation with Punjab Board of Revenue.

**5.2.2** Plant and machinery includes markup amounting to Rs. 94 thousands (2017: Rs. Nil) calculated at the rates ranging from 6.55% to 9.32% per annum.

| **6 Employees retirement benefits** | *Note* | **2018** | 2017 |
|---|---|---|---|
| | | **(Rupees in thousands)** | |
| Gratuity | *6.1* | **108,293** | 134,004 |
| Pension | *6.1* | **53,258** | 44,976 |
| | | **161,551** | 178,980 |

**6.1** Movements in the net assets recognized in the statement of financial position are as follows:

| | **Gratuity** | | **Pension** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **(Rupees in thousands)** | | | |
| Net assets at the beginning of the year | **134,004** | 187,290 | **44,976** | 53,894 |
| Expenses recognized | **(32,235)** | (22,825) | **(16,212)** | (13,183) |
| Contribution paid during the year | **32,235** | 22,825 | **16,212** | 13,183 |
| Actuarial (loss) / gain recognized | **(25,711)** | (53,286) | **8,282** | (8,918) |
| **Net assets at the end of the year** | **108,293** | 134,004 | **53,258** | 44,976 |

6.2 The amounts recognized in the profit or loss are as follows:

| | Gratuity | | Pension | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Rupees in thousands) | | | |
| Current service cost | (44,216) | (39,830) | (20,295) | (18,075) |
| Interest cost | (63,736) | (57,525) | (50,987) | (49,171) |
| Interest income on plan assets | 75,717 | 74,530 | 55,070 | 54,063 |
| | (32,235) | (22,825) | (16,212) | (13,183) |

6.3 The amounts recognised in other comprehensive income are as follows:

| | Gratuity | | Pension | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Rupees in thousands) | | | |
| Remeasurements of plan obligation from: | | | | |
| - Change in financial assumptions | (3,103) | 32,620 | 30,279 | 5,264 |
| - Experience adjustment on obligation | 15,855 | (37,074) | 659 | 14,822 |
| | 12,752 | (4,454) | 30,938 | 20,086 |
| Remeasurements of plan assets: | | | | |
| - Actual net return on plan assets | 42,647 | 7,749 | 34,385 | 16,152 |
| - Interest income on plan assets | (75,717) | (74,530) | (55,070) | (54,063) |
| - Experience adjustment | (5,393) | 17,949 | (1,971) | 8,907 |
| | (38,463) | (48,832) | (22,656) | (29,004) |
| | (25,711) | (53,286) | 8,282 | (8,918) |

6.4 The amounts recognized in the statement of financial position are as follows:

| | | | | |
|---|---|---|---|---|
| Present value of the obligation | (699,276) | (685,297) | (555,185) | (539,465) |
| Fair value of plan assets | 807,569 | 819,301 | 608,443 | 584,441 |
| **Net assets** | 108,293 | 134,004 | 53,258 | 44,976 |

6.5 **Movement in present value of defined benefit obligation**

| | | | | |
|---|---|---|---|---|
| Present value of defined benefit obligation as at the beginning of the year | (685,297) | (623,140) | (539,465) | (515,403) |
| Current service cost | (44,216) | (39,830) | (20,295) | (18,075) |
| Interest cost | (63,736) | (57,525) | (50,987) | (49,171) |
| Actual benefits paid during the year | 81,221 | 39,652 | 24,624 | 23,098 |
| Actuarial gain / (loss) on obligation | 12,752 | (4,454) | 30,938 | 20,086 |
| **Present value of defined benefit obligation as at the end of the year** | (699,276) | (685,297) | (555,185) | (539,465) |

6.6 **Movement in fair value of plan assets**

| | | | | |
|---|---|---|---|---|
| Fair value of plan asset as at the beginning of the year | 819,301 | 810,430 | 584,441 | 569,297 |
| Interest income on plan assets | 75,717 | 74,530 | 55,070 | 54,063 |
| Actual benefits paid during the year | (81,221) | (39,652) | (24,624) | (23,098) |
| Actual contribution by the employer- normal | 32,235 | 22,825 | 16,212 | 13,183 |
| Net return on plan assets over interest income | (38,463) | (48,832) | (22,656) | (29,004) |
| **Fair value of plan asset as at the end of the year** | 807,569 | 819,301 | 608,443 | 584,441 |

| | | Gratuity | | Pension | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | | (Rupees in thousands) | | | |
| 6.7 | **Actual return on plan assets** | | | | |
| | Expected return on plan assets | 75,717 | 74,530 | 55,070 | 54,063 |
| | Net deficit on plan assets over interest income | (38,463) | (48,832) | (22,656) | (29,004) |
| | | 37,254 | 25,698 | 32,414 | 25,059 |
| 6.8 | **Plan assets comprise** | | | | |
| | Pakistan Investment Bonds (PIBs) | - | - | 7,283 | 7,283 |
| | Mutual funds | 228,477 | 230,985 | 98,838 | 100,579 |
| | Treasury Bills (T-Bills) | 559,561 | 324,656 | 469,391 | 302,178 |
| | Term Finance Certificates | - | - | - | 158,147 |
| | Term Deposits | - | 251,826 | - | - |
| | Cash at Bank | 19,531 | 11,834 | 32,931 | 16,254 |
| | | 807,569 | 819,301 | 608,443 | 584,441 |

| | | Gratuity | | Pension | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| 6.9 | **Analysis of present value of defined benefit obligation** | (Rupees in thousands) | | | |
| | *Type of Members:* | | | | |
| | Management | 459,978 | 443,918 | - | - |
| | Non-management | 239,298 | 241,379 | - | - |
| | Active | - | - | 301,724 | 305,827 |
| | Pensioners | - | - | 253,461 | 233,638 |
| | | 699,276 | 685,297 | 555,185 | 539,465 |
| | *Vested / non-vested:* | | | | |
| | Vested benefits | 614,095 | 604,042 | 434,170 | 434,170 |
| | Non-vested benefits | 85,181 | 81,255 | 121,015 | 105,295 |
| | | 699,276 | 685,297 | 555,185 | 539,465 |
| | *Type of Benefits:* | | | | |
| | Accumulated benefit obligation | 299,886 | 354,651 | 425,911 | 425,911 |
| | Amounts attributed to future salary increases | 399,390 | 330,646 | 129,274 | 113,554 |
| | | 699,276 | 685,297 | 555,185 | 539,465 |
| 6.10 | **Disaggregation of fair value of plan assets** | | | | |
| | *Cash and cash equivalents (after adjusting current liabilities):* | | | | |
| | Quoted | 19,531 | 11,834 | 32,931 | 16,254 |
| | *Investment in mutual funds:* | | | | |
| | Quoted | 228,477 | 230,985 | 98,838 | 100,579 |
| | *Debt instruments:* | | | | |
| | Quoted | 559,561 | 324,656 | 476,674 | 309,461 |
| | Not quoted | - | 251,826 | | 158,147 |
| | | 559,561 | 576,482 | 476,674 | 467,608 |
| | **Total fair value of plan assets** | 807,569 | 819,301 | 608,443 | 584,441 |

**6.11** Plan assets does not include any investment in the Company's ordinary shares as at 31 December 2018 (2017: Nil).

**6.12** Expected contributions to gratuity fund and pension fund for the year ending 31 December 2019 are Rs. 34,620 thousands and Rs. 14,908 thousands respectively.

**6.13** The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the fund, at the beginning of the year.

**6.14** The future contribution rates of these funds include allowances for deficit and surplus. Projected unit credit method is used for valuation of these funds based on the following significant assumptions:

| | Gratuity Fund | | Pension Fund | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | (Rupees in thousands) | | | |
| Annual discount rate | **12.25%** | 9.50% | **12.25%** | 9.50% |
| Expected return on plan assets | **9.50%** | 9.50% | **9.50%** | 9.50% |
| Contribution rates (% of basic salaries) | **9.74%** | 7.11% | **9.96%** | 5.96% |
| Expected rate of growth per annum in future salaries: | | | | |
| *- First year following valuation* | **10.00%** | 12.00% | **10.00%** | 10.50% |
| *- Second year following valuation* | **11.50%** | 10.00% | **11.50%** | 8.75% |
| *- Third year following valuation* | **11.50%** | 10.00% | **11.50%** | 8.75% |
| *- Long term (fourth year following* valuation and onwards) | **11.50%** | 8.75% | **11.50%** | 8.75% |
| Mortality rates | **SLIC (2001-05)-1** | SLIC (2001-05)-1 | **SLIC (2001-05)-1** | SLIC (2001-05)-1 |

No pension increase rate was assumed in respect of the existing as well as the prospective pensioners. The same assumption was used during the last valuation.

**6.15** The weighted average duration of the defined benefit obligation is 8.92 years and 11.70 years (2017: 8.68 years and 12.15 years) for gratuity and pension funds respectively.

**6.16** These defined benefit plans exposes the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

**6.17** The main features of the employee retirement benefit schemes are as follows:

- Under the gratuity scheme, the normal retirement age in case of managers and officers is 63 years and 60 years in case of staff and workers. A member shall be entitled to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Company's Service rules.
- Under pension scheme the member shall be entitled to pension, subject to conditions laid down in the rules, on reaching the normal retirement age, disability, early retirement or death in which case the surviving spouse shall be entitled.

Both the scheme are subject to the regulations laid down under the Income Tax Rules, 2002.

**6.18** The implicit objective is that the contribution to the gratuity and pension schemes should remain reasonably stable as a percentage of salaries, under the actuarial cost method employed.

**6.19 Sensitivity analysis**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

| | | Impact on defined benefit obligation | | | |
|---|---|---|---|---|---|
| | | Gratuity | | Pension | |
| | Change in assumptions | Increase in assumption | Decrease in assumption | Increase in assumption | Decrease in assumption |
| | | (Rupees in thousands) | | | |
| Discount rate | 0.5% | 29,891 | (32,197) | 32,468 | (35,957) |
| Salary growth rate | 0.5% | (30,647) | 28,721 | (10,970) | 10,327 |

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the statement of financial position.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| **7 Long term loans - secured** | | | |
| Staff loans outstanding: | | | |
| Executives | *7.1* | **10,328** | 12,026 |
| Other employees | 7.3 | **8,111** | 5,043 |
| | | **18,439** | 17,069 |
| Current maturity | *11* | **(8,567)** | (7,252) |
| | | **9,872** | 9,817 |

**7.1 Loans to executives**

| | 2018 | 2017 |
|---|---|---|
| Opening balance | **12,026** | 13,587 |
| Disbursement during the year | **4,400** | 4,400 |
| Recoveries during the year | **(6,098)** | (5,961) |
| Closing balance | **10,328** | 12,026 |

**7.1.1** Loan to executive represent car loan provided to executives in accordance with the Company's policy and are repayable in 48 equal installments. These loans are either secured against the employees' provident fund or the vehicle purchased against the loan which is under joint ownership of the employee and the Company. Maximum aggregate balance outstanding during the year, at the end of any month, of loans to executives was Rs. 12,847 thousands (2017 : Rs. 14,528 thousands).

**7.2** No loans were granted to the directors and chief executive officer of the Company.

**7.3** Loans to other employees represent house building loans provided to employees in accordance with the Company's policy and are repayable over a period of five years. These loans are secured against the employees provident fund. Loans to employees carry interest at the rate of 8% (2017: 8 %) per annum at the end of the loan term.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| **8 Stores and spares** | | | |
| Mechanical spares | | **619,443** | 545,716 |
| **Consumable stores** | | | |
| Fuels | | **64,490** | 28,292 |
| Supplies | | **80,709** | 58,714 |
| | | **764,642** | 632,722 |
| Provision for slow moving and obsolete items | *8.1* | **(30,655)** | (33,121) |
| | | **733,987** | 599,601 |
| Stores in transit | | **17,511** | 21,343 |
| | | **751,498** | 620,944 |

| **8.1 Provision for slow moving and obsolete items** | 2018 | 2017 |
|---|---|---|
| | (Rupees in thousands) | |
| Opening balance | **33,121** | 34,471 |
| Reversal for the year | **(2,466)** | (1,350) |
| Closing balance | **30,655** | 33,121 |

Provision for slow moving and obsolete stock, and any reversal of provision, is included in cost of sales.

| | Note | 2018 | 2017 |
|---|---|---|---|
| **9 Stock in trade** | | (Rupees in thousands) | |
| Raw materials | | | |
| - Corn and cobs | | **1,647,366** | 3,006,954 |
| - Chemicals | | **130,288** | 85,803 |
| - Packing materials | | **70,091** | 53,744 |
| Work in process | | **83,945** | 78,396 |
| Finished goods | *9.1* | **1,495,261** | 1,159,072 |
| | | **3,426,951** | 4,383,969 |
| *Less: Provision for slow moving and obsolete stocks:* | | | |
| - Raw materials | | **(3,332)** | (1,975) |
| - Finished goods | | **(836)** | (4,800) |
| | | **(4,168)** | (6,775) |
| | | **3,422,783** | 4,377,194 |

**9.1** This includes imported finished goods amounting to Rs. 43,676 thousands (2017: Rs. 33,773 thousands) out of which goods in transit amounts to Rs. 11,111 thousands (2017: 1,336 thousands).

| 10 Trade debts | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| ***Local:*** | | | |
| Secured | *10.2* | **740,796** | 723,556 |
| *Unsecured , considered good* | | | |
| Related parties | *10.1* | **115,402** | 87,194 |
| Others | | **148,181** | 182,452 |
| | | **263,583** | 269,646 |
| Considered Doubtful | | **1,270** | 1,446 |
| | | **1,005,649** | 994,648 |
| Provision of doubtful debts | *10.4* | **(1,270)** | (1,446) |
| | | **1,004,379** | 993,202 |
| ***Foreign:*** | | | |
| Secured | *10.2* | **56,426** | 47,223 |
| *Unsecured , considered good* | | | |
| Related parties | *10.1* | **174,082** | 80,581 |
| | | **1,234,886** | 1,121,006 |

## 10.1 Aging analysis of the amounts due from related parties is as follows:

| | 2018 | | | | | | 2018 |
|---|---|---|---|---|---|---|---|
| | Neither past due nor impaired | Past due (1- 60 days) | Past due (61- 90 days) | Past due (91- 365 days) | Past due more than 365 days | Total | Maximum aggregate balance outstanding during the year |
| | (Rupees in thousands) | | | | | | |
| *Local* | | | | | | | |
| Unilever Pakistan Food Limited | 115,402 | - | - | 931 | - | 116,332 | 152,561 |
| *Foreign* | | | | | | | |
| Ingredion Holding LLC Kenya | 66,746 | 68,262 | 13,228 | - | - | 148,236 | 158,528 |
| PT Ingredion, Indonesia | 3,242 | 9,725 | - | - | - | 12,967 | 34,984 |
| National Starches Specicialities China | 4,056 | - | - | - | - | 4,056 | 4,056 |
| Ingredion Malaysia Sdn. Bhd | 5,404 | - | - | - | - | 5,404 | 9,238 |
| National Starch & Chemicals (Thailand) Limited | 3,419 | - | - | - | - | 3,419 | 6,187 |
| | 82,867 | 77,987 | 13,228 | - | - | 174,082 | |

| | 2017 | | | | | | 2017 |
|---|---|---|---|---|---|---|---|
| | Neither past due nor impaired | Past due (1- 60 days) | Past due (61- 90 days) | Past due (91- 365 days) | Past due more than 365 days | Total | Maximum aggregate balance outstanding during the year |
| | (Rupees in thousands) | | | | | | |
| *Local* | | | | | | | |
| Unilever Pakistan Food Limited | 86,954 | 240 | - | - | - | 87,194 | 183,932 |
| *Foreign* | | | | | | | |
| Ingredion Holding LLC Kenya | 43,678 | 10,282 | - | - | - | 53,960 | 128,527 |
| Ingredion Philippine Inc | 957 | 956 | - | - | - | 1,913 | 2,732 |
| Pt. Ingredion Indonesia | 10,981 | 13,727 | - | - | - | 24,708 | 31,351 |
| | 55,616 | 24,965 | - | - | - | 80,581 | |

10.2 These debts are secured against security deposits and bank guarantees received from customers.

**10.3 Detail of export debtors according to their jurisdiction is as follows:**

| | Sales | | Outstanding balance | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | (Rupees in thousands) | | | |
| *Secured: against LC* | | | | |
| Islamic Republic of Afghanistan | **506,424** | 589,470 | **-** | 2,356 |
| People's Republic of Bangladesh | **261,351** | 212,593 | **24,243** | 38,149 |
| United Arab Emirates | **105,729** | 66,597 | **2,944** | 3,750 |
| Kingdom of Saudi Arabia | **81,977** | 27,085 | **4,688** | - |
| Lebanese Republic | **32,603** | 4,269 | **18,823** | 1,957 |
| Democratic Socialist Republic of Sri Lanka | **18,239** | 13,096 | **-** | 1,011 |
| Kingdom of Bahrain | **3,608** | 748 | **649** | - |
| Arab Republic of Egypt | **1,559** | 1,986 | **42** | - |
| Hashemite Kingdom of Jordan | **1,590** | 1,390 | **-** | - |
| Sultanate of Oman | **1,171** | - | **-** | - |
| Karachi Export Processing Zone | **10,277** | 5,441 | **-** | - |
| The Russian Federation | **159** | - | **-** | - |
| People's Republic of China (Taiwan) | **12,823** | 5,057 | **5,037** | - |
| Republic of Yemen | **24,241** | 24,479 | **-** | - |
| | **1,061,751** | 952,211 | **56,426** | 47,223 |
| *Unsecured: Related parties* | | | | |
| Republic of Indonesia | **127,591** | 75,687 | **12,967** | 24,708 |
| The Republic of Kenya | **436,349** | 328,294 | **148,235** | 53,960 |
| People's Reepublic of China | **4,030** | 2,626 | **4,056** | - |
| Republic of India | **1,449** | - | **-** | - |
| Malaysia | **42,678** | 10,460 | **5,404** | - |
| Republic of Philippines | **22,620** | 8,214 | **-** | 1,913 |
| Republic of Singapore | **9,922** | 5,354 | **-** | - |
| Kingdom of Thailand | **33,992** | 2,685 | **3,419** | - |
| | **678,631** | 433,320 | **174,081** | 80,581 |
| | **1,740,382** | 1,385,531 | **230,507** | 127,804 |

| **10.4 Provision for doubtful debts** | *Note* | **2018** | 2017 |
|---|---|---|---|
| | | **(Rupees in thousands)** | |
| Opening balance | | **1,446** | 460 |
| Provision for the year | *23* | **271** | 3,740 |
| Bad debts written off during the year | | **(447)** | (2,754) |
| Closing balance | | **1,270** | 1,446 |

No provision has been made against receivables from related parties, apart from Rs. 931,000 charged in respect of recievable from Unilever Pakistan Foods Limited, as none of the remaining amounts receivable are considered impaired. Reversal of provision for doubtful debts is credited in other income.

| 11 | Loans and advances | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousands) | |
| | *Loans and advances - considered good:* | | | |
| | Suppliers of goods and services | | **97,629** | 84,132 |
| | Employees | *11.1* | **4,889** | 6,778 |
| | Current maturity of long term loans | | **8,567** | 7,252 |
| | | | **111,085** | 98,162 |

**11.1** The loans and advances are provided to employees for travelling expenses. No advances were given were,given to the directors and chief executive officer of the Company during the year.

| 12 | Short term prepayments | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousands) | |
| | Insurance | | **20,682** | 23,959 |
| | Prepayments | | **90,802** | 77,597 |
| | | | **111,484** | 101,556 |
| **13** | **Other receivables** | | | |
| | *Other receivables - farmers balances:* | | | |
| | Considered good | | **788** | 3,086 |
| | Considered doubtful | | **1,675** | 1,675 |
| | | | **2,463** | 4,761 |
| | Less: Provision for doubtful balances | *13.1* | **(1,675)** | (1,675) |
| | | | **788** | 3,086 |
| | Others | | **35,678** | 22,286 |
| | | | **36,466** | 25,372 |

**13.1 Provision for doubtful balances**

There was no movement during the current and previous year.

| 14 | Cash and bank balances | Note | 2018 | 2017 |
|---|---|---|---|---|
| | *Cash at banks* | | | |
| | - current accounts | | **113,002** | 160,001 |
| | - saving accounts | *14.1* | **1,150,574** | 894,563 |
| | | | **1,263,576** | 1,054,564 |
| | Term deposit reciepts | | **2,910,000** | 1,990,000 |
| | Cheques in hand | | **80,446** | 98,157 |
| | | | **4,254,022** | 3,142,721 |
| | *Cash in hand* | | | |
| | - local currency | | **7,659** | 6,369 |
| | - foreign currency | | **855** | 146 |
| | | | **8,514** | 6,515 |
| | | | **4,262,536** | 3,149,236 |

**14.1** These carry profit at rates ranging from 2 % to 9.75% (2017: 2.09 % to 6 %) per annum.

## 15 Trade and other payables

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| Creditors | | 315,021 | 353,293 |
| Advances from customers - *unsecured* | | 337,342 | 275,485 |
| Security deposits from dealers and contractors | *15.1* | 777,514 | 692,688 |
| Other deposits | *15.2* | 1,991 | 2,733 |
| Accrued liabilities | | 540,886 | 473,864 |
| Workers' welfare fund | *15.3* | 129,490 | 109,664 |
| Workers' profit participation fund | *15.4* | 339,767 | 303,056 |
| Payable to provident fund | *15.5* | 12,699 | 11,767 |
| Withholding tax payable | | 12,557 | 22,602 |
| Sales tax payable | | 229,497 | 272,448 |
| | | 2,696,764 | 2,517,600 |

### 15.1 Security deposits

| | Note | 2018 | 2017 |
|---|---|---|---|
| Dealers | *15.1.1* | 767,016 | 682,112 |
| Transporters | *15.1.2* | 3,865 | 3,365 |
| Others | *15.1.3* | 6,633 | 7,211 |
| | | 777,514 | 692,688 |

**15.1.1** These are interest free security deposits obtained from dealers and distributors of the company and are adjustable or repayable on cancellation or withdrawal of the dealership / distributorship or on cessation of business with the Company. As per the terms of the agreement, the Company can utilize these funds for the purpose of Company's operations.

**15.1.2** These are interest free security deposits obtained from transport contractors. These deposits are adjustable with the outstanding balance of the contractor. As per the terms of the agreement, the Company can utilize these funds for the Company's operations.

**15.1.3** These are interest free security deposits obtained from various contractors and can be utilized in accordance with the terms of agreements. These deposits are adjustable on termination of contract.

**15.2** These represent deposits held against tenders for the sale of scrap.

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in thousands) | |
| **15.3 Workers' welfare fund** | | |
| Opening balance | 109,664 | 98,235 |
| Provision for the year | 132,803 | 117,114 |
| Payment to the fund | (112,977) | (105,685) |
| Closing balance | 129,490 | 109,664 |
| **15.4 Workers' profit participation fund** | | |
| Opening balance | 303,056 | 285,902 |
| Provision for the year | 339,235 | 302,519 |
| Payment to the fund | (302,524) | (285,365) |
| Closing balance | 339,767 | 303,056 |

### 15.5 Provident fund related disclosures:

The Company operates funded contributory provident fund scheme for all its permanent and eligible employees. The following information is based on the un - audited financial statements of the provident fund as at 31 December 2018:

| | (Unaudited) 2018 | 2017 |
|---|---|---|
| | (Rupees in thousands) | |
| Size of the fund - total assets | 1,003,156 | 1,012,740 |
| Cost of investments made | 826,684 | 804,341 |
| Percentage of investments - (% of total assets) | 82.41% | 79.42% |
| Fair value of investments | 818,696 | 824,866 |

**15.5.1** The break-up of investments is as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **(Rupees in thousands)** | **%** | (Rupees in thousands) | % |
| Treasury Bills | **613,273** | **74.91%** | 619,775 | 75.14% |
| Collective Investment Schemes | **191,989** | **23.45%** | 194,206 | 23.54% |
| Bank Placements | **13,434** | **1.64%** | 10,885 | 1.32% |
| | **818,696** | **100%** | 824,866 | 100% |

The investments out of the provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

The Company will comply with the limits for investments in listed securities as required under section 3 of Employee's Contributory Funds (Investment in Listed Securities) Regulations, 2018 dated 06 June 2018, within one year the date of commencement of these Rules.

**16 Deferred taxation**

| | **2018** | 2017 |
|---|---|---|
| | **(Rupees in thousands)** | |
| ***Taxable temporary difference*** | | |
| Accelerated tax depreciation | **729,104** | 813,725 |
| Employees retirement benefits | **40,385** | 53,693 |
| ***Deductible temporary difference*** | | |
| Others | **(10,659)** | (12,905) |
| | **758,830** | 854,513 |

**16.1 Deferred taxation**

Movement in deferred taxation is as follows:

| | **2018** | | | |
|---|---|---|---|---|
| | **Opening balance** | **Charged to profit and loss** | **Charged to other comprehensive income** | **Closing balance** |
| | **(Rupees in thousands)** | | | |
| ***Taxable temporary difference*** | | | | |
| Accelerated tax depreciation | **813,725** | **(84,621)** | **-** | **729,104** |
| Employees retirement benefits | **53,693** | **-** | **(13,308)** | **40,385** |
| ***Deductible temporary difference*** | | | | |
| Others | **(12,905)** | **2,246** | **-** | **(10,659)** |
| | **854,513** | **(82,375)** | **(13,308)** | **758,830** |

| | 2017 | | | |
|---|---|---|---|---|
| | Opening balance | Charged to profit and loss | Charged to other comprehensive income | Closing balance |
| | (Rupees in thousands) | | | |
| *Taxable temporary difference* | | | | |
| Accelerated tax depreciation | 909,226 | (95,501) | - | 813,725 |
| Employees retirement benefits | 72,354 | - | (18,661) | 53,693 |
| *Deductible temporary difference* | | | | |
| Others | (13,174) | 269 | - | (12,905) |
| | 968,406 | (95,232) | (18,661) | 854,513 |

| | 2018 | 2017 | 2018 | 2017 |
|---|---|---|---|---|
| **17 Authorized, issued, subscribed and paid up capital** | (Number of shares) | | (Rupees in thousands) | |
| Authorized share capital - ordinary shares of Rs.10 each | **20,000,000** | 20,000,000 | **200,000** | 200,000 |
| **17.1 Issued, subscribed and paid up capital** | | | | |
| Ordinary shares of Rs. 10 each: | | | | |
| - Fully paid up for cash | **1,858,991** | 1,858,991 | **18,590** | 18,590 |
| - Issued for other than cash | **36,294** | 36,294 | **363** | 363 |
| - Issued as bonus shares | **7,341,143** | 7,341,143 | **73,411** | 73,411 |
| | **9,236,428** | 9,236,428 | **92,364** | 92,364 |

**17.2** Ingredion Inc. Chicago, U.S.A. (the holding company), holds 6,561,117 (2017: 6,494,243) ordinary shares of Rs. 10 each as at 31 December 2018.

**17.3** All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

**17.4** There is no shareholder agreement in place for voting rights, board selection, rights of first refusal and block voting.

| | Note | 2018 | 2017 |
|---|---|---|---|
| **18 Reserves** | | (Rupees in thousands) | |
| ***Capital*** | | | |
| Share premium | *18.1* | **36,946** | 36,946 |
| Other | *18.2* | **941** | 941 |
| | | **37,887** | 37,887 |
| ***Revenue*** | | | |
| General reserve | | **207** | 207 |
| Unappropriated profit | | **13,013,821** | 12,171,721 |
| | | **13,014,028** | 12,171,928 |
| | | **13,051,915** | 12,209,815 |

**18.1** This reserve can be utilized in accordance with the provision of section 81 of the Companies Act, 2017.

**18.2** This reserve was created under section 15BB of the Income Tax Act, 1922 to avail the tax exemption in prior years.

**19 Contingencies and commitments**

**19.1 Contingencies**

**19.1.1** Certain labor cases are pending before the labor courts and their financial effect cannot be reasonably determined due to their nature. The possibility of any outflow for settlement of these claims is considered remote.

**19.1.2** Land registration fee as per note 5.2.1.

**19.2** Counter guarantees given by the Company to its bankers as at reporting date amounting to Rs. 288,630 thousands (2017: Rs. 278,630 thousands).

**19.3** Tax contingencies as disclosed in note 28.

**19.4 Commitments**

| | **2018** | 2017 |
|---|---|---|
| | **(Rupees in thousands)** | |
| Commitments in respect of capital expenditure | **96,445** | 79,530 |
| Commitment in respect of purchase of corn | **6,536,019** | 3,610,238 |
| Commitment in respect of forward exchange contracts | **-** | 67,598 |

**20 Short term running finances - secured**

**20.1** The credit facilities available to the Company at year ended 31 December 2018 are as follows:

| | **2018** | | **2017** | |
|---|---|---|---|---|
| | **Available limit** | **Utilised credit as at 31 December** | **Available limit** | **Utilised credit as at 31 December** |
| | **Rupees in million** | | | |
| **Murabaha** | **11,500** | **6,373** | 11,500 | 3,469 |
| **Running finance** | **2,150** | **-** | 2,200 | - |
| | **13,650** | **6,373** | 13,700 | 3,469 |
| **Letter of credits / guarantees** | **875** | **289** | 825 | 296 |

**20.2** The rate of markup ranges from 6.55 % to 9.72 % per annum (2017: 6.50 % to 6.79 % per annum). These facilities are secured by joint *pari pasu* hypothecation charge on current assets of the Company, amounting to Rs.6,113,334 thousands (2017: Rs.6,113,334 thousands) and are subject to repricing on monthly/quarterly basis.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| **21 Sales - net** | | | |
| Domestic | | 31,962,918 | 28,319,110 |
| Export | | 1,740,382 | 1,385,531 |
| | | 33,703,300 | 29,704,641 |
| Less: Sales tax | | 4,127,332 | 3,676,824 |
| Trade discount and commission | | 11,808 | 9,713 |
| | | (4,139,140) | (3,686,537) |
| | | 29,564,160 | 26,018,104 |
| **22 Cost of sales** | | | |
| *Raw material consumed:* | | | |
| Corn | | 14,051,313 | 11,964,933 |
| Chemicals | | 378,555 | 319,276 |
| Packing material | | 493,495 | 383,040 |
| | | 14,923,363 | 12,667,249 |
| *Factory expenses:* | | | |
| Salaries, wages and amenities | *22.1* | 1,328,933 | 1,290,149 |
| Spares consumed | | 257,082 | 235,329 |
| Logistics and handling | | 613,681 | 579,057 |
| Fuel and power | | 3,802,237 | 2,957,894 |
| Rent, rates and taxes | | 11,483 | 10,082 |
| Consumables | | 17,790 | 17,003 |
| Repairs and maintenance | | 48,882 | 52,556 |
| Depreciation | *5.1.1* | 435,276 | 501,714 |
| Insurance | | 15,417 | 12,359 |
| Factory general expenses | | 148,216 | 137,496 |
| | | 6,678,997 | 5,793,639 |
| | | 21,602,360 | 18,460,888 |
| Add: Opening work in process | | 78,396 | 90,012 |
| | | 21,680,756 | 18,550,900 |
| Less: Closing work in process | *9* | (83,945) | (78,396) |
| **Cost of production** | | 21,596,811 | 18,472,504 |
| Add: Opening finished goods stock - own manufactured | | 1,125,299 | 1,151,663 |
| | | 22,722,110 | 19,624,167 |
| Less: Closing finished goods stock - own manufactured | | (1,451,585) | (1,125,298) |
| Cost of goods sold - own manufactured products | | 21,270,525 | 18,498,869 |
| Cost of goods sold - purchased products | | 104,341 | 93,765 |
| **Cost of goods sold** | | 21,374,866 | 18,592,634 |

**22.1** Salaries, wages and amenities include Rs. 36,914 thousands (2017: Rs. 26,764 thousands) in respect of contribution to pension and gratuity funds and Rs. 30,223 thousands (2017 : Rs. 28,991 thousands) in respect of contribution to provident fund.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| **23 Distribution expenses** | | | |
| Salaries and amenities | 23.1 | 112,224 | 105,853 |
| Traveling and automobile expenses | | 21,849 | 15,688 |
| Provision of technical support fee | | - | 9,979 |
| Freight and distribution | | 255,810 | 220,198 |
| Commission expense | | 273,531 | 252,664 |
| Insurance | | 2,341 | 2,883 |
| Rent, rate and taxes | | 5,703 | 3,419 |
| Repair and maintenance | | 39 | 81 |
| Electricity charges | | 669 | 733 |
| Printing and stationery | | 408 | 485 |
| Telephone and postage | | 3,211 | 2,667 |
| Advertising and sales promotion | | 755 | 1,013 |
| Depreciation | 5.1.1 | 5,811 | 5,925 |
| Market research and development | | 520 | 167 |
| Provision against doubtful debts | 10.4 | 271 | 3,740 |
| Miscellaneous expenses | | 11,239 | 13,273 |
| | | 694,381 | 638,768 |

**23.1** Salaries and amenities include Rs. 3,304 thousands (2017: Rs. 2,618 thousands) in respect of contribution to pension and gratuity funds and Rs. 5,103 thousands (2017: Rs. 4,282) thousands in respect of contribution to provident fund.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| **24 Administrative expenses** | | | |
| Salaries and amenities | 24.1 | 259,725 | 277,835 |
| Traveling and automobile expenses | | 31,541 | 25,436 |
| Insurance | | 1,399 | 1,549 |
| Rent, rates and taxes | | 478 | 2,450 |
| IT, networking and data communication | | 132,763 | 136,896 |
| Repair and maintenance | | 84 | 125 |
| Electricity charges | | 1,330 | 1,579 |
| Printing and stationery | | 1,033 | 1,359 |
| Telephone and postage | | 3,054 | 3,615 |
| Legal and professional charges | | 3,344 | 5,673 |
| Depreciation | 5.1.1 | 11,260 | 11,999 |
| Amortization of intangible assets | | - | 427 |
| Auditors' remuneration | 24.2 | 3,794 | 3,276 |
| Miscellaneous expenses | | 10,838 | 7,486 |
| Donation and charity | 24.3 | 6,252 | 7,941 |
| | | 466,895 | 487,646 |

**24.1** Salaries and amenities include Rs. 8,229 thousands (2017: Rs. 6,627 thousands) in respect of contribution to pension and gratuity funds and Rs. 9,891 thousands (2017: Rs. 9,482 thousands) in respect of contribution to provident fund.

| | | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| **24.2** | **Auditors' remuneration** | | |
| | Statutory audit fee | **1,410** | 1,344 |
| | Review of half yearly accounts | **465** | 441 |
| | Services in connection with review and reporting of accounts to Ingredion Inc. (formerly CPI Inc.) | **1,232** | 1,186 |
| | Audit of gratuity and pension funds | **100** | 121 |
| | Miscellaneous certifications | **342** | 42 |
| | Out of pocket expenses reimbursed | **245** | 142 |
| | | **3,794** | 3,276 |

**24.3** The details of the donations exceeding Rs. 500,000 to a single donee is as follows:

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in thousands) | |
| Galaxy Welfare Foundation | **600** | 450 |
| Liver Foundation Trust | **500** | 800 |
| The Citizens Foundation | **2,600** | 2,400 |
| SOS Children Village | **500** | - |
| Allied Hospital Patients Welfare Society | **500** | 500 |
| | **4,700** | 4,150 |

**24.3.1** None of the directors has any interest in the donee.

**25 Other income**

| | 2018 | 2017 |
|---|---|---|
| ***Income from financial assets*** | | |
| Mark up on staff loans and profit on bank deposits | **139,151** | 110,948 |
| Foreign exchange gain | **21,197** | - |
| ***Income from non-financial assets*** | | |
| Profit on sale of scrap | **84,658** | 70,936 |
| Profit on sale of property, plant and equipment | **4,877** | 7,072 |
| Miscellaneous income | **5,183** | 4,225 |
| | **255,066** | 193,181 |

**26 Other expenses**

| | | 2018 | 2017 |
|---|---|---|---|
| Workers' welfare fund | *15.3* | **132,803** | 117,114 |
| Workers' profit participation fund | *15.4* | **339,235** | 302,519 |
| Foreign exchange loss | | **-** | 5,974 |
| | | **472,038** | 425,607 |

| | | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousands) | |
| **27** | **Finance cost** | | |
| | Mark up on short term running finances | **7,602** | - |
| | Bank charges and commission | **18,220** | 15,615 |
| | | **25,822** | 15,615 |
| **28** | **Taxation** | | |
| | *Current Taxation* | | |
| | - for the year | **1,926,345** | 1,618,249 |
| | - prior year | **169,549** | 135,741 |
| | | **2,095,894** | 1,753,990 |
| | *Deferred Taxation* | | |
| | - for the year | **60,818** | (95,232) |
| | - prior year | **(143,193)** | - |
| | | **(82,375)** | (95,232) |
| | | **2,013,519** | 1,658,758 |

| | | 2018 | 2017 |
|---|---|---|---|
| **28.1** | **Reconciliation of effective tax rate:** | ----------Percentage---------- | |
| | Applicable tax rate | **29.00** | 30.00 |
| | Effect of permanent differences | **0.04** | 0.04 |
| | Effect of prior period adjustments | **2.50** | 0.56 |
| | Effect of presumptive tax regime | **(0.69)** | (0.73) |
| | Effect of tax credits | **(0.86)** | (1.76) |
| | Effect of change in tax rates | **(2.11)** | - |
| | Effect of super tax | **1.89** | - |
| | Effect of others | **(0.09)** | (0.71) |
| | **Average effective tax rate (tax expense divided by profit before tax)** | **29.68** | **27.41** |

**28.2** The provision for current year tax represents tax on taxable income at the rate of 29% and net of tax credits. As per management's assessment, the provision for tax made in the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessment is presented below:

| Tax Years | Tax provision as per financial statements | Tax as per assessment / return |
|---|---|---|
| | (Rupees in thousands) | |
| 2016 | 1,424,224 | 1,473,267 |
| 2017 | 1,470,770 | 1,586,513 |
| 2018 | 1,618,249 | 1,735,453 |

**28.3** The Income Tax Department has charged tax of Rs. 81,078 thousands for the assessment year 2001-2002 (financial year ended 30 September 2000) under section 12(9A) of the Income Tax Ordinance, 1979 (Repealed) on the allegation that the dividend distribution by the Company was less than 40% of its after tax profits. Against this levy, the Company filed an appeal with the Commissioner of Income Tax (Appeals), which was rejected. The Company preferred an appeal with the Income Tax Appellate Tribunal (ITAT) against the order of CIT (Appeals). The ITAT vide order dated 21 April 2006 decided the case in favor of the Company and confirmed that levy of tax under section 12(9A) was against the provisions of the law and directed the assessing officer for decision in accordance with the provisions of amended clause 59 of Part IV, Second Schedule to the repealed Income Tax Ordinance, 1979. The Income Tax Department has moved to Lahore High Court on 17 October 2006, against the orders of ITAT. However, on 9 September 2015, Lahore High Court has transferred back the case to ITAT for reconsideration.

The management believes that this case will be decided in the favor of the Company. The legal advisors of the Company have concurred with the management's view. The Company has paid Rs. 58,613 thousands in prior years and has also made provision of the full amount in the financial statements.

**28.4** The Income Tax Return of the Company for Tax year 2011 was selected for audit under section 177 of the Income Tax Ordinance, as a result of audit proceedings; Deputy Commissioner Inland Revenue passed the amended order under section 122(1) of the Ordinance and raised demand amounting to Rs. 31,855 thousands.

The Company has filed the appeal against order passed before the Commissioner Inland Revenue (Appeals) who partially allowed the appeal to the Company. The tax department and the Company filed appeals before ATIR, which is pending adjudication. The Company has paid Rs. 27,282 thousands and has also made provision of the full amount in the financial statements.

**28.5** The taxation officer under section 161/205 of the Income tax Ordinance, 2011 (the Ordinance) created tax demand of Rs. 51,935 thousands on the grounds that tax was deducted at lower rates, on payment of dividends to non-residents for the tax years 2004 to 2006. The Company filed appeal to Commissioner Income Tax (Appeals) and upon rejection filed an appeal before Appellate Tribunal Inland Revenue (ATIR) who decided the case in favour of the Company. The Tax Department has filed the reference application before Lahore High Court (LHC) which was rejected by LHC. Against the order of LHC, the Tax Department filed appeal before the Supreme Court of Pakistan, which is pending for hearing. The management is confident that the case will be decided in the favor of the Company.

**28.6** The Deputy Commissioner Inland Revenue (DCIR) under section 161(1A) of the Ordinance objected that the tax was deducted at lower rates on payment of dividends to non-residents for the tax year 2009 to 2015. The Company filed writ petition against the said notice before the Court which directed the DCIR to consider the provisions of the Ordinance, the relevant double taxation treaty and the judgments of ATIR in respect of tax years 2004 to 2006 and ordered to charge tax on dividend income at the lower rates. The DCIR after considering the Company's reply in light of the court order issued another notice to the Company showing intention to charge tax at higher rate, against which the Company filed a second petition before the Court. The Court directed DCIR to determine the application and relevance of its order passed in this regard. The proceedings are still pending and no notice from DCIR has been received so far.

**28.7** While finalising income tax assessment for the tax year 2014, the ACIR made certain add backs with the aggregated tax impact of Rs. 52.272 million of which Rs. 39.5 million has been paid.
Against the amended order, the Company has filed appeal before CIR (Appeals), whereby the case is heard however appellant order is awaited till date. The Company has created a provision of the complete amount in the financial statements.

**28.8** While finalising income tax assessment for the tax year 2015, the ACIR made certain add backs with the aggregated tax impact of Rs. 20 million of which Rs. 5 million has been paid. Against the amended order, the Company has filed appeal before CIR (Appeals) whereby the case is heard however appellant order is awaited till date. The Company has created a provision of the complete amount in the financial statements.

## 29 Earnings per share - basic and diluted

### 29.1 Earnings per share - basic

| | | 2018 | 2017 |
|---|---|---|---|
| Profit attributable to ordinary shareholders | *(Rupees in thousands)* | **4,771,705** | 4,392,257 |
| Weighted average number of ordinary shares | *(Numbers)* | **9,236,428** | 9,236,428 |
| Earnings per share - basic | *(Rupees)* | **516.62** | 475.54 |

### 29.2 Earnings per share - diluted

There is no dilution effect on basic earnings per share, as the Company has no such commitments.

## 30 Cash generated from operation

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in thousands) | |
| Profit before tax | **6,785,224** | 6,051,015 |
| *Adjustment for:* | | |
| Depreciation on property, plant and equipment | **452,347** | 519,638 |
| Amortization of intangible assets | **-** | 427 |
| Provision for employees retirement benefits | **48,447** | 36,008 |
| Provision for doubtful debts | **271** | 3,740 |
| (Reversal) / provision for slow moving and obsolete items | **(5,073)** | 2,409 |
| Gain on disposal of property, plant and equipment | **(4,877)** | (7,072) |
| Interest income | **(139,151)** | (110,948) |
| Finance cost | **25,822** | 15,615 |
| | **377,786** | 459,817 |
| **Cash generated from operation before working capital changes** | **7,163,010** | 6,510,832 |
| ***Effect on cash flow due to working capital changes*** | | |
| *(Increase) / decrease in current assets:* | | |
| Stores and spares | **(128,088)** | 30,135 |
| Stock in trade | **957,018** | (688,062) |
| Trade debts | **(114,151)** | (143,493) |
| Loans and advances | **(11,608)** | (8,430) |
| Long term deposits | **(408)** | - |
| Short term prepayments | **(9,928)** | 13,800 |
| Other receivables | **2,704** | (9,716) |
| | **695,539** | (805,766) |
| *Increase in current liabilities:* | | |
| Trade and other payables | **179,164** | 249,093 |
| **Net increase / (decrease) in working capital** | **874,703** | (556,673) |
| **Cash generated from operations** | **8,037,712** | 5,954,159 |

## 31 Financial instruments - Fair values and risk management

### 31.1 Fair value measurement of financial instruments

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 of 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 recognised 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.

| | Carrying amount | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| | Derivatives | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| **31 December 2018** | Rupees in thousands | | | | | | | |
| ***Financial assets - not measured at fair value*** | | | | | | | | |
| Long term loans | - | 18,439 | - | 18,439 | - | - | - | - |
| Trade debts | - | 1,234,886 | - | 1,234,886 | - | - | - | - |
| Loans and advances | - | 4,889 | - | 4,889 | - | - | - | - |
| Deposits | - | 34,852 | - | 34,852 | - | - | - | - |
| Other receivables | - | 36,466 | - | 36,466 | - | - | - | - |
| Cash and bank balances | - | 4,262,536 | - | 4,262,536 | - | - | - | - |
| | - | 5,592,068 | - | 5,592,068 | - | - | - | - |
| ***Financial liabilities - not measured at fair value*** | | | | | | | | |
| Trade and other payables | - | - | 1,648,111 | 1,648,111 | - | - | - | - |
| Mark-up accrued on short term running finances | | | 52 | 52 | | | | |
| | - | - | 1,648,163 | 1,648,163 | - | - | - | - |

| | Carrying amount | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| | Derivatives | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | Rupees in thousands | | | | | | | |
| **31 December 2017** | | | | | | | | |
| ***Financial assets - measured at fair value*** | | | | | | | | |
| Forward exchange contract | 2,932 | - | - | 2,932 | - | 2,932 | - | 2,932 |
| ***Financial assets - not measured at fair value*** | | | | | | | | |
| Long term loans | - | 17,069 | - | 17,069 | - | - | - | - |
| Trade debts | - | 1,121,006 | - | 1,121,006 | - | - | - | - |
| Loans and advances | - | 6,778 | - | 6,778 | - | - | - | - |
| Deposits | - | 34,444 | - | 34,444 | - | - | - | - |
| Other receivables | - | 25,372 | - | 25,372 | - | - | - | - |
| Cash and Bank balances | - | 3,149,236 | - | 3,149,236 | - | - | - | - |
| | - | 4,353,905 | - | 4,353,905 | - | - | - | - |
| ***Financial liabilities - not measured at fair value*** | | | | | | | | |
| Trade and other payables | - | - | 2,475,368 | 2,475,368 | - | - | - | - |
| | - | - | 2,475,368 | 2,475,368 | - | - | - | - |

## 31.2 Risk management of financial instruments

The Company finances its operations through equity, borrowings and management of working capital with a view to obtain a reasonable mix between the various sources of finance to minimize the finance related risks to the entity.

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

### 31.2.1 Risk management framework

The Board of Directors has overall responsibility for establishment and over sight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

### 31.2.2 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if the counterparties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Company. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of a company's performance to developments affecting a particular industry. The Company manages its credit risk by the following methods:

- Monitoring of debts on continuous basis.
- Application of credit limits to its customers.
- Obtaining adequate deposits / collaterals where needed.

#### 31.2.2.1 Exposure to credit risk

The carrying values of financial assets represent the maximum credit exposure before any credit enhancement. The maximum exposure to credit risk at the reporting date is as follows:

| | *Note* | **2018** | 2017 |
|---|---|---|---|
| | | **(Rupees in thousands)** | |
| Long term loans | *7* | **18,439** | 17,069 |
| Trade debts | *10* | **1,234,886** | 1,121,006 |
| Loans and advances | *11* | **4,889** | 6,778 |
| Deposits | | **34,852** | 34,444 |
| Other receivables | *13* | **36,466** | 25,372 |
| Bank balances | *14* | **4,254,022** | 3,142,721 |
| | | **5,583,554** | 4,347,390 |
| Secured | | **815,660** | 787,849 |
| Unsecured | | **4,767,894** | 3,559,541 |
| | | **5,583,554** | 4,347,390 |

*31.2.2.2.5 Concentration risk*

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in thousands) | |
| Paper and board | 99,353 | 120,369 |
| Confectionary | 305,470 | 194,361 |
| Textile | 63,358 | 68,329 |
| Poultry | 12,106 | 16,232 |
| Pharmaceuticals | 118 | 598 |
| Chemical & allied industries | 19,130 | 6,325 |
| Dealers | 736,623 | 716,239 |
| Bank | 4,254,022 | 3,142,721 |
| Employees | 23,329 | 23,847 |
| Others | 72,990 | 61,491 |
| Provision for doubtful balances | (2,945) | (3,122) |
| | 5,583,554 | 4,347,390 |

**31.2.3 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained overdraft facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

The following are the remaining contractual maturities of financial liabilities:

| | 2018 | | | |
|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Up to one year or less | More than one year |
| | (Rupees in thousand) | | | |
| *Non- derivative financial liabilities* | | | | |
| Trade and other payables | 1,648,111 | 1,648,111 | 1,648,111 | - |
| Mark-up accrued on short term running finances | 52 | 52 | 52 | - |
| | 1,648,163 | 1,648,163 | 1,648,163 | - |

| | 2017 | | | |
|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Up to one year or less | More than one year |
| *Non- derivative financial liabilities* | (Rupees in thousand) | | | |
| Trade and other payables | 2,475,368 | 2,475,368 | 2,475,368 | - |

**31.2.4 Market risk**

Market risk is the risk that changes in market price such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments. The Company is not exposed to major market risks as at 31 December 2018.

### 31.2.4.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk on import of project related capital and stores and spares items and export of goods mainly denominated in US dollar and on foreign currency cash and bank balances. The Company's exposure to foreign currency risk for US Dollar is as follows:

| | USD 2018 | USD 2017 |
|---|---|---|
| Foreign debtors | 1,648,835 | 1,110,372 |
| Foreign currency bank balance | 6,219 | 1,320 |
| Trade and other payables | (703,013) | (761,013) |
| Net balance sheet exposure | 952,041 | 350,679 |
| Forward exchange contracts | - | 611 |
| **Net exposure** | 952,041 | 351,290 |

The following significant exchange rates have been applied:

| | Average rate for the year | | Reporting date rate | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| USD to PKR | 121.72 | 105.32 | 139.80 | 110.70 |

***Sensitivity analysis:***

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, before tax profit for the year would have been lower by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign debtors, foreign currency bank account and trade and other payables.

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in thousands) | |
| ***Effect on profit or loss*** | | |
| US Dollar | 13,310 | 3,889 |

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the post tax profit.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

### 31.2.4.2 Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

| | Effective rate | | Carrying amount | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| ***Financial assets*** | (Percentage) | | (Rupees in thousands) | |
| *Fixed rate instruments:* | | | | |
| Long term loans | 8.0% | 8.0% | 18,439 | 17,069 |
| *Variable rate instruments:* | | | | |
| Bank balances - saving accounts | 2.09%-6% | 2.09% to 6% | 1,150,574 | 894,563 |
| Term deposit reciepts (TDRs) | 9.60-9.75% | 5.75-6% | 2,910,000 | 1,990,000 |
| | | | 4,079,013 | 2,901,632 |

***Fair value sensitivity analysis for fixed rate instruments***

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss account.

***Cash flow sensitivity analysis for variable rate instruments***

A change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | Profit and loss 100 bps | |
|---|---|---|
| | Increase | Decrease |
| | (Rupees in thousands) | |
| **As at 31 December 2018** | **1,315** | **(1,315)** |
| As at 31 December 2017 | 1,109 | (1,109) |

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

**31.2.4.3 Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The company is not exposed to any price risk as there are no financial instruments at the reporting date that are sensitive to price fluctuations.

**31.2.4.4 Capital management**

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders and issue new shares.

For working capital requirement and capital expenditure, the Company relies substantially on short term borrowings.

**32 Remuneration of Chief Executive, Directors and Executives**

| | Chief Executive and Managing Director | | Executive Director | | Executives | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | (Rupees in thousands) | | | | | |
| Managerial remuneration | **8,565** | 7,193 | **5,450** | 4,853 | **90,820** | 70,931 |
| Rent, medical and other allowances | **7,966** | 6,713 | **4,789** | 6,335 | **88,849** | 67,255 |
| Bonus and leave encashment | **7,901** | 5,909 | **1,430** | 4,995 | **35,534** | 33,048 |
| Retirement benefits | **1,461** | 1,333 | **929** | 606 | **15,488** | 9,512 |
| | **25,893** | 21,148 | **12,598** | 16,789 | **230,691** | 180,746 |
| Number | **1** | 1 | **1** | 1 | **45** | 37 |

**32.1** Meeting fees aggregating to Rs. 1,470 thousands (2017: Rs 280 thousands) were paid to 5 (2017: 4) non-executive directors for attending board meetings. In addition, Chief Executive & Managing Director (CE&MD), full time working director and some executives are provided with company maintained car. Number of non-executive directors of the Company as at 31 December 2018 are 9 (2017: 9).

## 33 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 | Basis of relationship | Nature and description of related party transaction | 2018 Total value of transaction | 2018 Closing balance [asset/ (liability)] | 2017 Total value of transaction | 2017 Closing balance [asset/ (liability)] |
|---|---|---|---|---|---|---|---|
| | | | | (Rupees in thousands) | | (Rupees in thousands) | |
| Ingredion Inc. U.S.A. | Holding Company | Shareholding of 71.04% shares | Services received | 107,799 | (45,862) | 111,786 | (38,373) |
| Ingredion Inc. U.S.A. | -do- | -do- | Dividend | 2,773,428 | (12,205) | 3,571,834 | (888,900) |
| Ingredion Inc. U.S.A. | -do- | -do- | Imports | 61,469 | (23,806) | 20,948 | (2,080) |
| Unilever Pakistan Foods Ltd. | Associate | Common directorship | Sales | 1,220,894 | 116,332 | 1,178,583 | 87,194 |
| Corn Products Development Inc. | -do- | Parent's subsidiary | Technical support fee | - | - | 9,979 | - |
| Ingredion Holding LLC Kenya | -do- | -do- | Export sales | 436,349 | 146,669 | 327,368 | 53,516 |
| Ingredion Holding LLC Kenya | -do- | -do- | Services provided | 3,152 | 1,566 | - | - |
| Ingredion Holding LLC Kenya | -do- | -do- | Imports | (2) | - | - | (62) |
| Ingredion Singapore Pte. Ltd. | -do- | -do- | Export sales | 9,922 | (6,978) | 5,354 | (7,197) |
| Ingredion Germany GMBH | -do- | -do- | Imports | 11,017 | (2,079) | 35,670 | - |
| Ingredion Germany GMBH | -do- | -do- | Services received | 322 | (457) | 109 | (109) |
| National Starch & Chemical Thailand | -do- | -do- | Imports | 20,459 | (2,082) | 13,100 | (5,291) |
| National Starch & Chemical Thailand | -do- | -do- | Export sales | 33,992 | 3,419 | 2,685 | - |
| Ingredion Brasil Ingredients Industrial Ltd | -do- | -do- | Imports | - | - | (293) | - |
| Ingredion Philipines, Inc | -do- | -do- | Export sales | 22,620 | - | 8,214 | 1,913 |
| Ingredion Malaysia Sdn. Bhd. | -do- | -do- | Export sales | 42,678 | 5,404 | 10,460 | - |
| Ingredion China Limited | -do- | -do- | Export sales | 4,030 | 4,056 | 2,626 | - |
| PT Ingredion, Indonesia | -do- | -do- | Export sales | 127,591 | 12,967 | 75,687 | 24,708 |
| Ingredion India (Private) Ltd | -do- | -do- | Export sales | 1,449 | - | | |
| Employee Benefits | -do- | Employee retirement fund | Contribution to funds | 93,665 | (12,699) | 78,763 | (3,457) |

The transactions were carried out at an arm's length basis.

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

33.1 Following are the related parties with which the Company entered into transactions during the year.

| Name of parties | Address | Name of CEO / Principal Officer | Percentage of shareholding | Basis of association |
|---|---|---|---|---|
| Ingredion Inc. U.S.A. | Ingredion Inc, Corporate Office, 5 Westbrook Corporate Center, Westchester, IL 60154 | Jim Zallie | Shareholding of 71.04% shares | Holding company |
| Corn Products Development Inc. | AV Do Café 277 Torre B2 Ander Jabquara Sao Paulo, SP 04311-000 Brazil | Jorgen Kokke | - | Parent's subsidiary |
| Ingredion Holding LLC Kenya | Tulip House 5th Floor, Mombasa Road, PO Box 1952-00606, Nairobi, Kenya | Kennedy Ouma | - | -do- |
| Ingredion Singapore Pte. Limited | 21 Biopolis Road, #05-21/27, Nucleos 138567 | Valdirene Bastos Licht | - | -do- |
| Ingredion Germany GMBH | Ingredion Germany Gmbh, Gruener Deich 110 20097, Hamburg Germany | Ulrich Nichtern | - | -do- |
| National Starch & Chemical Thailand | 40/14 Moo 12 Bangna Trad Road Km 6.5 11th & 12th Floors, Bangna Towers C Bangkaew Bangplee, Samutprakarn 10540, Thailand | Rishandran Pilla | - | -do- |
| Ingredion Brasil Ingredients Industrial Ltd. | AV Do Café 277 Torre B2 Ander Jabquara Sao Paulo, SP 04311-000 Brazil | João B. Morelli | - | -do- |
| Ingredion Philipines, Inc | Unit 5B Suntree Tower No 13 Meralco Avenue Ortigas Center Pasig City 1605, Philipines | Soo Yong Ho | - | -do- |
| Ingredion Malaysia Sdn. Bhd. | No 1, Jalan Kontraktor U1/14 Level 5, Wisma Samudra Hicom-Glenmarie Industrial Park 40150 Shah Alam, Selangor Darul Ehsan, Malaysia | Shue Peng Law | - | -do- |
| Ingredion China Limited | 450 Hua Tie Road Song Jiang Industrial Estate Shanghai 2001600, China | Jimlow | - | -do- |
| PT Ingredion, Indonesia | Mezzanine Follr Talavera Suite - Talavera Office Park Jl Letjen TB Simatupang Kav 22-26 Cilandak, Jakarta Selatan 12430, Indonesia | Liana Chrishiana Sutiah | - | -do- |
| Ingredion India (Private) Limited | 1605, 16th floor, Rupa Solitaire Millennium Business Park Thane Belapur Road Mahape, Navi Mumbai 400710, India | Sriprakash Krishnan | - | -do- |
| Unilever Pakistan Foods Limited | Avari Plaza, Fatima Jinnah Road, Karachi-75530, Pakistan | Shazia Syed | - | common directorship |

All the above mentioned related parties are operational and their auditors have issued unqualified opinion on the respective financial statements for the year ended 31 December 2017.

## 34 Plant capacity and production

| | 2018 | 2017 |
|---|---|---|
| | ------(Metric tons)------ | |
| *- Average grind capacity per day* | **1,850** | 1,850 |
| *- Capacity* | **647,500** | 647,500 |
| *- Actual days worked* | **331** | 324 |
| *- Actual production* | **596,510** | 531,905 |

***Reason for shortfall:***

The actual production is 92% (2017: 82%) of the plant capacity which is within normal working standards.

## 35 Number of employees

The Company has employed following number of persons including permanent and contractual staff:

| | No of employees | |
|---|---|---|
| ***Number of employees as at 31 December*** | **2018** | 2017 |
| Factory employees | **1,043** | 1,089 |
| Employees at head office | **159** | 158 |
| | **1,202** | 1,247 |
| ***Average number of employees during the year*** | | |
| Factory employees | **1,073** | 1,085 |
| Employees at head office | **164** | 160 |
| | **1,237** | 1,245 |

## 36 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

| | | *Note* |
|---|---|---|
| a) | Taxation | *4.14 & 28* |
| b) | Useful life of depreciable assets | *4.1 & 5.1* |
| c) | Useful life of intangibles | *4.2* |
| d) | Employees retirement benefits | *4.3 & 6* |
| e) | Provision against stores and spares and stock in trade | *4.4 & 4.5* |
| f) | Provision for doubtful debt | *4.8 & 10* |
| g) | Provision and contingencies | *4.8 & 19* |

**37 Reconciliation of the movement of liabilities to cash flows arising from financing activities.**

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Liabilities | | | Equity | |
| | Mark-up accrued on short term running finances | Dividend payable | Unclaimed dividend | Un-appropriated profit | Total |
| | ---------- Rupees in thousands ---------- | | | | |
| Balance as at 01 January 2018 | - | 898,742 | 45,212 | 12,171,721 | 13,115,675 |
| **Changes from financing cash flows** | | | | | |
| Finance cost paid | (25,770) | - | - | - | (25,770) |
| Dividends declared | - | 3,925,483 | - | (3,925,483) | - |
| Dividends paid | - | (4,799,099) | (30,388) | - | (4,829,487) |
| **Total changes from financing cash flows** | **(25,770)** | **(873,616)** | **(30,388)** | **(3,925,483)** | **(4,855,257)** |
| **Other changes** | | | | | |
| Interest expense | 25,822 | - | - | - | 25,822 |
| **Total liability related other changes** | **25,822** | **-** | **-** | **-** | **25,822** |
| **Total equity related other changes** | **-** | **-** | **-** | **4,767,583** | **4,767,583** |
| **Closing as at 31 December 2018** | **52** | **25,126** | **14,824** | **13,013,821** | **13,053,824** |

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Liabilities | | | Equity | |
| | Mark-up accrued on short term running finances | Dividend payable | Unclaimed dividend | Un-appropriated profit | Total |
| | ---------- Rupees in thousands ---------- | | | | |
| Balance as at 01 January 2017 | 14 | 5,117 | 10,730 | 12,903,041 | 12,918,902 |
| **Changes from financing cash flows** | | | | | |
| Finance cost paid | (15,629) | - | - | - | (15,629) |
| Dividends declared | - | 5,080,035 | - | (5,080,035) | - |
| Dividends paid | - | (4,151,927) | - | - | (4,151,927) |
| **Total changes from financing cash flows** | **(15,629)** | **928,108** | **-** | **(5,080,035)** | **(4,167,556)** |
| **Other changes** | | | | | |
| Interest expense | 15,615 | - | - | - | 15,615 |
| Dividend unclaimed at year end | - | (34,482) | 34,482 | - | - |
| **Total liability related other changes** | **15,615** | **(34,482)** | **34,482** | **-** | **15,615** |
| **Total equity related other changes** | **-** | **-** | **-** | **4,348,714** | **4,348,714** |
| **Closing as at 31 December 2017** | **-** | **898,743** | **45,212** | **12,171,720** | **13,115,675** |

## 38 Dividends

The Board of Directors have proposed a final dividend for the year ended 31 December 2018 of Rs. 125 per share, amounting to Rs. 1,154,554 thousands at their meeting held on 12 February 2019, for approval of members at the Annual General Meeting to be held on 15 April 2019 (2017: Rs. 125 per share amounting to Rs. 1,154,554 thousands).

## 39 Operating segments

The financial statements have been prepared on the basis of a single reportable segment. 94.13% (2017: 95.30%) out of total sales of the Company relates to customers in Pakistan. All non current assets of the Company as at 31 December 2018 are located in Pakistan.

## 40 Date of authorization of issue

These financial statements were authorized for issue on February 12, 2019 by the Board of Directors of the Company.

## 41 General

**41.1** Figures in these financial statements have been rounded off to the nearest thousands of rupees.

| | | |
|---|---|---|
| **Muhammad Asdaf**<br>**Director** | **Usman Qayyum**<br>**Chief Executive and Managing Director** | **Zulfikar Mannoo**<br>**Director** |

# Pattern of Shareholding

As at 31 December 2018

| Number of Shareholders | Shareholding | | | Total Shares Held |
|---|---|---|---|---|
| 682 | 1 | - | 100 | 29,702 |
| 145 | 101 | - | 500 | 34,931 |
| 44 | 501 | - | 1000 | 33,292 |
| 34 | 1001 | - | 5000 | 85,661 |
| 6 | 5001 | - | 10000 | 47,627 |
| 1 | 10001 | - | 15000 | 13,040 |
| 2 | 15001 | - | 20000 | 38,239 |
| 1 | 45001 | - | 50000 | 50,000 |
| 1 | 50001 | - | 55000 | 52,260 |
| 1 | 55001 | - | 60000 | 58,252 |
| 1 | 60001 | - | 65000 | 62,467 |
| 2 | 65001 | - | 70000 | 133,508 |
| 4 | 70001 | - | 75000 | 286,866 |
| 2 | 75001 | - | 80000 | 156,310 |
| 1 | 90001 | - | 95000 | 93,689 |
| 1 | 100001 | - | 105000 | 100,131 |
| 2 | 110001 | - | 115000 | 226,265 |
| 2 | 140001 | - | 145000 | 283,066 |
| 2 | 165001 | - | 170000 | 332,964 |
| 1 | 170001 | - | 175000 | 170,378 |
| 1 | 185001 | - | 190000 | 186,578 |
| 1 | 200001 | - | 205000 | 200,085 |
| 1 | 6560001 | - | 6565000 | 6,561,117 |
| **938** | | | | **9,236,428** |

| Sr. No. | Shareholders Category | Number of Shareholders | Shares Held | Percentage |
|---|---|---|---|---|
| 1 | Directors, Chief Executive Officer, and their spouse(s) and minor children | 4 | 599,884 | 6.49 |
| 2 | Associated Companies, Undertakings and Related Parties | 1 | 6,561,117 | 71.04 |
| 3 | NIT and ICP | - | 0 | 0.00 |
| 4 | Banks, Development Financial Institutions, Non Banking Financial Institutions | 2 | 75,277 | 0.82 |
| 5 | Insurance Companies | 2 | 128,556 | 1.39 |
| 6 | Modarabas and Mutual Funds | 1 | 940 | 0.27 |
| 7 | General Public : | | | |
| | a. Local | 905 | 1,851,392 | 20.03 |
| | b. Foreign | - | 0 | 0.00 |
| 8 | Others | 23 | 19,262 | 0.06 |
| | **Total:** | **938** | **9,236,428** | **100.00** |
| | Shareholders holding 10% or more | 1 | 6,561,117 | 70.04 |

The above two Statements include 504 shareholders holding 599,310 shares through Central Depository Company of Pakistan Limited.

| Information as required under code of Corporate Governance | Number of | |
|---|---|---|
| **Shareholders' Category** | **Shareholders** | **Shares Held** |
| **Associated Companies, Undertaking and Related Parties (name wise details)** | | |
| Ingredion Incorporated | 1 | 6,561,117 |
| **Total >>** | **1** | **6,561,117** |
| **Mutual Funds (name wise details)** | | |
| CDC - Trustee NAFA Asset Allocation Fund | 1 | 940 |
| **TOTAL >>** | **1** | **940** |
| **Directors and their spouse(s) and minor children (name wise details)** | | |
| Mian M. Adil Mannoo | 1 | 174,233 |
| Mr. Wisal A. Mannoo | 1 | 178,018 |
| Mr. Zulfikar Mannoo | 1 | 238,263 |
| Mrs. Sarwat Zulfikar | 1 | 9,370 |
| **TOTAL >** | **4** | **599,884** |
| **Executives** | | |
| **TOTAL >>** | **1** | **164** |
| **Public Sector Companies and Corporations** | | |
| **TOTAL >** | **1** | **58,252** |
| **Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds** | | |
| **TOTAL >>** | **4** | **158,621** |
| **Shareholder Holding five percent or more voting Rights in the Listed Company (name wise details)** | | |
| Ingredion Incorporated | 1 | 6,561,117 |
| **TOTAL >>** | **1** | **6,561,117** |

# Investors' Education

In pursuance of SRO 924(1)/2015 dated September 9th, 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), the following informational message has been reproduced to educate investors:

## شیئرز ٹرانسفر کمیٹی

بورڈ آف ڈائریکٹرز نے بورڈ کے 2 ممبران پر مشتمل شیئرز ٹرانسفر کمیٹی قائم کی ہے۔ سال کے دوران شیئرز ٹرانسفر کمیٹی کے سات (7) اجلاس منعقد ہوئے اور اس میں حاضری درج ذیل رہی:

| | | اجلاسوں میں شرکت |
|---|---|---|
| عثمان قیوم | چیئرمین | 7 |
| محمد اصدف | ممبر | 7 |
| انیس احمد خان | ممبر | 3 |

*اپنی مدت کے دوران 5 اجلاسوں میں

کمیٹی وقتاً فوقتاً اجلاس طلب کرتی رہتی ہے تاکہ شیئرز کے کارآمد ٹرانسفرز اور ٹرانسمیشن یا اس سے متعلق کسی امور پر غور و خوض اور اس کی منظوری دے سکے۔

## شیئر ہولڈنگ کا طریقہ کار

شیئر ہولڈنگ کا طریقہ کار، بمطابق 31 دسمبر، 2018 جو (کوڈ آف کارپوریٹ گورنینس) ریگولیشنز، 2017 کی شرائط کے مطابق اور شیئر ہولڈنگ کی تقسیم کے بارے میں اسٹیٹمنٹ اس رپورٹ کے آخر میں ظاہر کیا گیا ہے۔

## منافع منقسمہ

کمپنی اب تک 3 بار عبوری منافع منقسمہ بشرح 1000 فیصد ادا کر چکی ہے اور اب 1250 فیصد کے حساب سے حتمی منافع منقسمہ تجویز کر رہی ہے جس سے کُل منافع منقسمہ اس سال 4250 فیصد ہو جائے گا۔

اللہ تعالیٰ ہمیں پیش آنے والی آزمائشوں سے سرخرو ہونے کی قوت عطا فرمائے، آمین!

منجانب بورڈ

عثمان قیوم
چیف ایگزیکٹو و مینجنگ ڈائریکٹر

محمد اصدف
چیف فنانشل آفیسر

12 فروری، 2019

## کمپنی کے شیئرز میں منتقلیاں

ڈائریکٹرز، ایگزیکٹوز، ان کے شریک حیات اور نابالغ بچوں نے سال کے دوران کمپنی کے شیئرز میں درج ذیل کے علاوہ کوئی ٹرانزیکشنز نہیں کی:

| | | فروخت شیئرز کی تعداد | خرید/وراثتی شیئرز کی تعداد |
|---|---|---|---|
| وصال اے۔ منوں | ڈائریکٹر | | 120 |
| میاں ایم۔ عادل منوں | ڈائریکٹر | | 18,240 |
| انگریڈیان انکارپوریٹڈ | سرپرست کمپنی | | 66,874 |

## سرپرست کمپنی

انگریڈیان انکارپوریٹڈ، امریکا کمپنی کے اکثریتی شیئرز کی حامل ہے۔

## آڈیٹرز

سبکدوش ہونے والے آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بناء پر خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارشات پر سال 2019 کے لئے میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی تقرری کیلئے تجویز پیش کی ہے۔

## آڈٹ کمیٹی

بورڈ آف ڈائریکٹرز نے (کوڈ آف کارپوریٹ گورنینس) ریگولیشنز، 2017 پر عملدرآمد کے تحت بورڈ کے 5 ممبران پر مشتمل ایک آڈٹ کمیٹی قائم کی ہے۔ سال کے دوران آڈٹ کمیٹی کے 4 اجلاس منعقد ہوئے اور ان میں شرکت کی تعداد درج ذیل تھی:

| | | ذاتی طور پر/بذریعہ وڈیو لنک اجلاسوں میں شرکت |
|---|---|---|
| ذوالفقار منوں | نان۔ ایگزیکٹو ڈائریکٹر | 4 |
| جیمز ڈی۔ گرے | نان۔ ایگزیکٹو ڈائریکٹر | 4 |
| کرسٹین ایم۔ کاسٹیلانو | نان۔ ایگزیکٹو ڈائریکٹر | 4 |
| مرسل ہرگیٹ | نان۔ ایگزیکٹو ڈائریکٹر | 4 |
| انیس احمد خان* | آزاد ڈائریکٹر | 3 |
| تابش گوہر** (چیئرمین) | آزاد ڈائریکٹر | 1 |

* اپنی مدت کے دوران تین اجلاسوں میں

** اپنی مدت کے دوران ایک جلاس میں

## ہیومن ریسورس اینڈ ری میونریشن کمیٹی

بورڈ آف ڈائریکٹرز نے بورڈ کے 4 درج ذیل ممبران پر مشتمل ہیومن ریسورس اینڈ ری میونریشن کمیٹی قائم کی۔ سال کے دوران کمیٹی کے 2 اجلاس منعقد ہوئے اور شرکت درج ذیل رہی:

| | | | ذاتی طور پر/بذریعہ وڈیو لنک اجلاسوں میں شرکت |
|---|---|---|---|
| یورگن کوکی | سابق چیئرمین | نان ایگزیکٹو ڈائریکٹر | 2 |
| پیئر پیریز وائی لینڈ ازوری | ممبر | نان ایگزیکٹو ڈائریکٹر | 2 |
| عثمان قیوم | ممبر | ایگزیکٹو ڈائریکٹر | 2 |
| کرسٹین ایم۔ کاسٹیلانو* | ممبر | نان ایگزیکٹو ڈائریکٹر | 0 |
| ذوالفقار منوں | ممبر | نان ایگزیکٹو ڈائریکٹر | 2 |
| طاہر جاوید* | چیئرمین | آزاد ڈائریکٹر | 0 |

*ان کی مدت کے دوران کوئی اجلاس منعقد نہیں ہوا۔

## بورڈ آف ڈائریکٹرز

بورڈ گیارہ ڈائریکٹرز پر مشتمل ہے جو درج ذیل ہیں:

| | |
|---|---|
| ڈائریکٹرز کی مجموعی تعداد | 11 |
| مرد | 10 |
| خاتون | 1 |

## تشکیل

| | |
|---|---|
| آزاد ڈائریکٹرز | 2 |
| دیگر نان۔ایگزیکٹو ڈائریکٹرز | 7 |
| ایگزیکٹو ڈائریکٹرز | 2 |

3 نان۔ایگزیکٹو ڈائریکٹرز بورڈ میں اقلیتی شیئر ہولڈرز کی نمائندگی کرتے ہیں۔ بورڈ کے چیئر مین بھی نان۔ایگزیکٹو ڈائریکٹر ہیں۔ تمام موجودہ بورڈ ممبران کمپنی انفارمیشن میں لسٹڈ ہیں۔ تمام مقامی ڈائریکٹرز نے (کوڈ آف کارپوریٹ گورنینس) ریگولیشنز، 2017 کی شقوں کے تحت سرٹیفکیشن حاصل کر لی ہے۔

## بورڈ کے اجلاسوں میں شرکت

سال کے دوران بورڈ آف ڈائریکٹرز کے 5 اجلاس منعقد ہوئے۔ 2 اجلاس برطانیہ اور 3 پاکستان میں منعقد ہوئے جن میں ڈائریکٹرز کی شرکت درج ذیل رہی:

| ڈائریکٹرز کے نام | ذاتی طور پر/ بذریعہ وڈیو لنک اجلاسوں میں شرکت |
|---|---|
| پیٹر پیریز وائی لینڈ ازوری | 5 |
| عثمان قیوم | 5 |
| جیمز ڈی۔گرے | 5 |
| یورگن کوکی* | 2 |
| کرسٹین ایم۔کاسٹیلانو*** | 5 |
| مرسل ہرگیٹ | 5 |
| ذوالفقار منوں | 5 |
| میاں ایم۔عادل منوں | 5 |
| وصال اے۔منوں | 5 |
| محمد اصدف | 5 |
| انیس احمد خان* | 3 |
| تابش گوہر** | 2 |
| طاہر جاوید** | 2 |
| اینڈریا ایسٹر ڈمیریم پونل**** | 0 |

*اپنی مدت کے دوران تین اجلاسوں میں

**اپنی مدت کے دوران دو اجلاسوں میں

*** یکم فروری 2019 کو بورڈ سے مستعفی ہوئیں

****12 فروری 2019 کو بورڈ میں شامل ہوئیں

## نان۔ایگزیکٹو ڈائریکٹرز بشمول انڈیپنڈنٹ ڈائریکٹرز کے معاوضے کی پالیسی

نان۔ایگزیکٹو ڈائریکٹرز اور انڈیپنڈنٹ ڈائریکٹرز کو اجلاسوں میں شرکت کے لیے معاوضہ ادا کیا جاتا ہے۔ معاوضے کا حجم موزوں اور ذمہ داری ومہارت کے پیمانے سے مطابقت رکھتا ہے تاکہ کمپنی کو کامیابی کے ساتھ چلائے جانے کے ساتھ اس کی قدر و قیمت میں بھی اضافے کو یقینی بنایا جائے۔

سی) انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز پر جیسا کہ پاکستان میں رائج ہیں، مالیاتی حسابات کی تیاری میں عمل کیا جاتا ہے اور اس لئے کسی بھی رُوگردانی کی با قاعدہ اور مناسب انداز میں تشریح اور وضاحت کردی جاتی ہے۔

ڈی) اندرونی کنٹرول کا مستحکم نظام ڈیزائن کیا گیا ہے اور اس پر مؤثر عملدرآمد کے ساتھ اس کی نگرانی کی جاتی ہے؛ اور

ای) اس امر میں کسی قسم کے شکوک وشبہات نہیں کہ لسٹڈ کمپنی میں مستقل طور پر ترقی کرنے کی صلاحیت موجود ہے۔

## گزشتہ 6 سالوں کے کلیدی آپریٹنگ اور مالیاتی ڈیٹا کی تفصیل درج ذیل ہے:

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | | |
|---|---|---|---|---|---|---|---|
| 23,673 | 25,197 | 24,618 | 25,298 | 26,018 | 29,564 | روپے ملین میں | مجموعی فروخت |
| 19,460 | 20,540 | 19,164 | 18,345 | 18,593 | 21,375 | روپے ملین میں | فروخت کی لاگت |
| 4,213 | 4,657 | 5,454 | 6,952 | 7,425 | 8,189 | روپے ملین میں | مجموعی منافع |
| 18 | 18 | 22 | 28 | 29 | 28 | | فروخت کا فیصدی |
| 3,652 | 3,871 | 4,615 | 5,725 | 6,067 | 6,811 | روپے ملین میں | آپریٹنگ منافع جات |
| 15 | 15 | 19 | 23 | 23 | 23 | | فروخت کا فیصدی |
| 3,594 | 3,754 | 4,599 | 5,707 | 6,051 | 6,785 | روپے ملین میں | منافع قبل از ٹیکس |
| 2,781 | 2,517 | 3,275 | 3,879 | 4,392 | 4,772 | روپے ملین میں | منافع بعد از ٹیکس |
| 301.14 | 272.48 | 354.59 | 420.01 | 475.54 | 516.62 | روپے | آمدنی فی شیئر |
| 1,201 | 1,247 | 1,293 | 2,679 | 5,080 | 3,925 | روپے ملین میں | منافع منقسمہ کی رقم |
| 1,300 | 1,350 | 1,400 | 2,900 | 5,500 | 4,250 | | منافع منقسمہ فیصدی |
| 453 | 469 | 1,665 | 870 | 742 | 196 | روپے ملین میں | کیپٹل اخراجات |

## ریسورس مینجمنٹ

ہمارے بیشتر اجزاء کی تیاری بنیادی طور پر مکئی سے کی جاتی ہے لہٰذا مکئی کی قابل اعتماد اور پائیدار ذریعہ فراہمی انتہائی ضروری ہے۔ رفحان میظ نے ہمیشہ اپنی کاشتکار برادری کو معاونت فراہم کرنے میں اپنا مؤثر کردار ادا کیا ہے۔ ہمارے ایگری بزنس ڈیپارٹمنٹ نے یو ایس ایڈ کے اشتراک سے مکئی سے ایفلا ٹاکسن (Aflatoxin) کی وباء کے خاتمے کے لیے ایک پروگرام متعارف کرایا۔ پروگرام کے شراکت کار یو ایس ڈیپارٹمنٹ آف ایگری کلچر (USDA)، انٹرنیشنل انسٹی ٹیوٹ آف ٹراپیکل ایگری کلچر (IITA)، یو ایس ایجنسی برائے انٹرنیشنل ڈیولپمنٹ (USAID)، پاکستان نیشنل ایگری کلچر ریسرچ سینٹر، سینٹر برائے ایگری کلچر اینڈ بائیو سائنسز انٹرنیشنل (CABI) ہیں۔

## سرمایہ کاری

آپ کی کمپنی اپنی اسٹریٹیجک کمپوزیشن کے تحت کاروبار میں توسیع اور اسے مختلف سمتوں میں پھیلانے کے لیے توجہ دینے کا سلسلہ جاری رکھے گی۔ آپ کی کمپنی نے اپنے اسٹریٹیجک عزم، ارادوں پر عمل پیرا رہتے ہوئے کئی نمایاں پروجیکٹس پر کام جاری رکھا ہوا ہے۔

ہم اپنی گنجائش میں اضافے، جدت لانے اور نئی ٹیکنالوجیز میں سرمایہ کاری کے ذریعے اپنے صارفین کو بہتر سے بہتر خدمات فراہم کرنے کا یقین دلاتے ہیں۔

## ملازمین کے ریٹائرمنٹ فنڈ کی سرمایہ کاری کی قدر و قیمت

رفحان میظ اپنے ملازمین کی قدر کرتا ہے۔ کمپنی تین ریٹائرمنٹ پلان، ایک ڈیفائنڈ کنٹری بیوشن (پراویڈنٹ فنڈ) اور دو ڈیفائنڈ بینیفٹ پلانز (گریجویٹی اور سپرانیوایشن) برقرار رکھے ہوئے ہیں۔ کمپنی نے ہر ایک فنڈ کیلئے ٹرسٹ قائم کیا ہے اور بورڈ آف ٹرسٹیز فنڈز کے امور سنبھالنے کے ذمہ دار ہیں۔ تینوں پلانز مکمل طور پر فنڈ ہیں اور فنڈز میں مجموعی سرمایہ کاری درج ذیل ہے:

| 2017 | 2018 | | |
|---|---|---|---|
| روپے ہزاروں میں | | | |
| 1,004,701 | 1,037,299 | بمطابق 30 جون | پراویڈنٹ فنڈ |
| 819,302 | 807,570 | بمطابق 31 دسمبر | گریجویٹی فنڈ |
| 584,441 | 608,443 | بمطابق 31 دسمبر | سپرانیوایشن فنڈ |

رفحان میڈ برآمدی مارکیٹ میں اپنے قدم مستقل طور پر سال بہ سال مضبوطی سے جما رہا ہے۔ ہم نے جنوبی اور جنوب مشرقی ایشیا، مشرق وسطیٰ اور افریقہ میں 20 سے زائد ممالک میں برآمدات کے ساتھ 2018 میں دوبارہ دو ہندسوں میں شرح نمو حاصل کی۔

## آپریشنز

اخراجات پر آنے والے افراطِ زر کے دباؤ کے ساتھ ہماری آپریشن کی ٹیم مستقل طور پر ایسے چیلنجز سے نمٹنے کے لیے اپنی کارکردگی کو بہتر بنانے پر خصوصی توجہ دے رہی ہے۔ ہماری کارکردگی میں مستقل بہتری اور کاسٹ اسمارٹ اقدامات کاروبار کے لیے مناسب حد تک بچت کا ذریعہ فراہم کر رہے ہیں۔ ہماری ٹیم مکمل طور پر تبدیل ہوتے ہوئے ریگولیٹری ماحول کے لیے بھی تیار ہے اور اپنی صلاحیتوں کو مزید بہتر بنانے اور ایسی تمام ضروریات پر پورا اترنے کے لیے بھی تیار ہے۔

رفحان میڈ اپنی پیداواری صلاحیت میں اضافے، نئی اور تیز رفتار ٹیکنالوجیز کے حصول اور اپنے انسانی وسائل کی صلاحیتوں میں اضافے کے لیے مستقل طور پر سرمایہ کاری کر رہا ہے تاکہ موجودہ اور مستقبل کی تمام تر ضروریات کو پورا کیا جا سکے۔ ہم اپنے صارفین کی ضروریات کو پورا کرنے کے ضمن میں اپنے ملازمین، کنٹریکٹرز اور سپلائرز کی صلاحیتوں سے بھرپور استفادہ کرنے کا سلسلہ بھی جاری رکھے ہوئے ہیں۔ حکمت اہداف ہمیشہ ہمارے صارفین اور شیئر ہولڈرز کے لیے بہتر منافع اور قدر و قیمت کے حامل ثابت ہوئے ہیں۔

## حفاظت، صحت اور ماحول

ہمارے ملازمین، کنٹریکٹرز اور ہماری سائٹس پر آنے والے مہمانوں کا تحفظ ہمیشہ ہماری اولین ترجیح رہا ہے۔ ہمارے ماحول، صحت اور حفاظت کے پروگرامز پورے سال کے دوران ٹریک پر قائم رہے اور اس کے ساتھ ہم سے وابستہ ہر ایک ملازم اور کنٹریکٹر ان پروگرامز میں مستحکم عزم اور بھرپور انداز میں شریک رہا۔ ہمارے فرنٹ لائن سپروائزرز اور مینیجرز نے اس سلسلے میں عالمی معیار کو کامیابی سے لاگو کرنے اور مؤثر عملدرآمد کے ضمن میں اہم کردار ادا کیا۔ ہم نے کام کرنے کے محفوظ ترین اور سازگار ماحول کیلئے پوری دل جمعی کے ساتھ معاونت فراہم کی اور اس ضمن میں اپنی افرادی قوت کی آگاہی کیلئے مختلف تربیتی پروگرامز اور آگاہی مہم بھی چلاتے رہے۔ بہتری کیلئے ہمارے عزم سے احساس ذمہ داری پیدا ہوا اور پورے سال کے دوران تحفظ کے مثالی نتائج حاصل کرنے میں کامیاب رہے۔

رفحان میڈ نے ماحولیات کو بہتر بنانے اور ان سماجی طبقات کی فلاح و بہبود کے ضمن میں بھی شرکت کا سلسلہ جاری رکھا جس میں ہم کام کر رہے ہیں۔ ہم مستقل مزاجی کے ساتھ عوام الناس کی فلاح کے لیے مخلصانہ کوششیں جاری رکھے ہوئے ہیں اور اپنے تمام آپریشنز اور سائٹس کے لیے ایک پائیدار حکمتِ عملی اختیار کرتے ہیں۔ کلیدی اقدامات کے تحت ہماری تمام تر سائٹس پر عالمی معیار کے نتائج حاصل ہوئے ہیں۔

## کارپوریٹ سماجی ذمہ داری

رفحان میڈ ہمیشہ سے سماجی طور پر ایک ذمہ دار ادارہ رہا ہے اور ہماری انتہائی کوشش ہوتی ہے کہ ہم صحت، تعلیم، ماحولیات، کمیونٹی ڈیولپمینٹ اور قدرتی آفات کی صورت میں بحالی کے شعبوں میں بھرپور انداز میں شریک رہیں۔ ہمارا مقصد کاشتکاروں، کاروباری طبقات اور عوام الناس کیلئے بہتر سے بہتر مواقع فراہم کرنا ہے جس کے ذریعے وہ اپنا معیار زندگی بلند کر سکیں۔

## کاروباری خطرات، چیلنجز اور مستقبل کے امکانات

یہ سال تسلسل اور تبدیلی دونوں کا سال ثابت ہوا۔ پاکستان کی معیشت نے ہمیشہ غیر موزوں صورتحال کے دوران لچک کا مظاہرہ کیا ہے۔ تاہم افراطِ زر، روپے کی قدر میں کمی اور غیر یقینی سیاسی اور معاشی صورتحال نے مختصر مدت میں شرح نمو کی رفتار پر اثرات مرتب کیے ہیں۔ معیشت کے لیے مختصر مدت کے اس چیلنجنگ دور ایے کے باوجود ہم آنے والے برسوں کے دوران میکرو اکنامک استحکام اور ترقی کے روشن امکانات دیکھتے ہیں۔

مسابقت شدت اختیار کر رہی ہے اور صارفین کی توجہ بھی دوسری جانب منتقل ہو رہی ہے لہٰذا پروڈکٹ کا تحفظ اور معیار میں انفرادیت مشترکہ طور پر صارفین کو گہرے اطمینان کے ساتھ بامعنی جدت طرازی اور ویلیو ایڈڈ سروسز ہی صارفین کے اعتماد کو برقرار رکھ سکتی ہیں جو مستقبل میں کامیابی کی کنجی ہے۔

مکئی کے نرخوں میں اضافہ، جو ایک نئی بلندی تک پہنچا، اس کے ساتھ ایندھن، یوٹیلیٹیز اور دیگر ان پٹس کے نرخوں میں تیزی کے رجحان سے توقع ہے کہ اخراجات کی جانب نمایاں اثرات ظاہر ہوں گے۔

ہمیں اپنی کوششوں، انتظامی مہارت اور صلاحیتوں پر پورا اعتماد ہے کہ ہم ان چیلنجز پر پورا اتریں گے۔ ہم اپنی کمپنی کے مستقبل کے امکانات کے بارے میں پرعزم ہیں اور امید کرتے ہیں کہ ہم جن کاروباری شعبوں میں کام کر رہے ہیں ان میں بہتری کا رجحان برقرار رہے گا۔

## کارپوریٹ گورنینس

آپ کی کمپنی تمام اسٹینڈرڈز اور کارپوریٹ گورنینس کی تمام شرائط پوری کرنے سے مکمل آگاہ ہے۔ ڈائریکٹرز بمسرت آگاہ کرتے ہیں کہ آپ کی کمپنی (کوڈ آف کارپوریٹ گورنینس) ریگولیشنز، 2017 پر مکمل کاربند ہے۔ کوڈ آف کارپوریٹ گورنینس پر عملدرآمد کا بیان صفحہ نمبر **28** پر دوبارہ بیان کیا گیا ہے۔

### کوڈ آف کارپوریٹ گورنینس کے تحت واضح امکانات اور اعتراضات

### کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

اے) لسٹڈ کمپنی کی انتظامیہ کی جانب سے تیار کئے گئے مالیاتی حسابات، تمام کاروباری امور، ان کے آپریشنز کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کو شفاف انداز میں پیش کرتے ہیں۔

بی) لسٹڈ کمپنی کے کھاتوں کی باقاعدہ بکس تیار کی گئی ہیں۔ موزوں ترین اکاؤنٹنگ پالیسیوں کو مالیاتی حسابات اور اکاؤنٹنگ کے تخمینہ جات کی تیاری میں مستقل لاگو کیا جاتا ہے جو مناسب اور محتاط فیصلوں پر مشتمل ہوتے ہیں۔

# ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز بمسرت 31 دسمبر، 2018 کو ختم ہونے والے سال کیلئے سالانہ آڈٹ شدہ مالی گوشوارے مع ان پر آڈیٹرز کی رپورٹ پیش کر رہے ہیں۔

| مالیاتی نتائج | | سال مختتمہ 31 دسمبر | |
|---|---|---|---|
| | | 2018 | 2017 |
| منافع جات اور مختص شدہ رقم | | روپے ہزاروں میں | |
| منافع بعد از ٹیکس | | 4,771,705 | 4,392,257 |
| ملازمین کی ریٹائرمنٹ کے فوائد کے حقیقی منافع جات/(خسارے) | | (4,121) | (43,543) |
| غیر مختص شدہ منافع جو کہ آگے منتقل کیا گیا | | 12,171,721 | 12,903,042 |
| | | **16,939,305** | 17,251,756 |
| مختص شدہ رقومات | | | |
| حتمی منافع منقسمہ 2017 بشرح 1250 فیصد | (2016: بشرح 3000 فیصد) | 1,154,554 | 2,770,928 |
| پہلا عبوری منافع منقسمہ 2018 بشرح 1000 فیصد | (2017: بشرح 1000 فیصد) | 923,643 | 923,643 |
| دوسرا عبوری منافع منقسمہ 2018 بشرح 1000 فیصد | (2017: بشرح 750 فیصد) | 923,643 | 692,732 |
| تیسرا عبوری منافع منقسمہ 2018 بشرح 1000 فیصد | (2017: بشرح 750 فیصد) | 923,643 | 692,732 |
| | | **3,925,483** | 5,080,035 |
| | | | |
| غیر مختص شدہ منافع جات | | **13,013,821** | 12,171,721 |
| آمدنی فی شیئر (روپے) | | **516.62** | 475.54 |

## کاروباری جائزہ

ملک میں ایک سرکردہ مکئی ریفائنر ہونے کی حیثیت سے رفحان نے صارفین کیلئے انتخاب کے پہلے سپلائر کی حیثیت سے خدمات جاری رکھی ہوئی ہیں۔ رفحان کے اپنے صارفین کے ساتھ اسٹریٹجک اور غیر مشروط و پائیدار تعلقات کار ہمارا سرمایہ ہیں۔ رفحان میڈ میں صارفین کیلئے ہماری توجہ کا اولین مرکز بنیادی طور پر نئے چیلنجز سے نمٹنے اور صارفین کے ساتھ اپنے تعلقات کے اعزاز کو برقرار رکھنا ہے۔ ہم اس امر پر بھی یقین رکھتے ہیں کہ اپنی بنیادی اقدار اور ترجیحات کو اولیت دینا ہماری پائیدار کاروباری ترقی اور مستقل بہتری کیلئے نہایت ضروری ہے۔ ہماری اقدار ہمیشہ ہمارے کلچر و روایت کا ناگزیر حصہ رہی ہیں۔

ہم اپنی پروڈکٹ کے تحفظ، معیار میں اپنی انفرادیت کا اعزاز برقرار رکھنے اور اپنے صارفین کو ویلیو ایڈڈ مصنوعات اور خدمات فراہم کرنے پر فخر محسوس کرتے ہیں تاکہ ہمارے کاروبار میں مزید ترقی کے ساتھ صارفین کا ہم پر اعتماد اور مستحکم ہو۔

بڑھتے ہوئے ان پُٹ اخراجات جیسے یوٹیلیٹیز کے نرخوں میں اضافے بشمول کٹھن معاشی صورتحال کے باعث افراطِ زر کے مسلسل دباؤ نے ملک میں صنعتی پیداوار کیلئے کئی چیلنجز کھڑے کئے۔ ٹیکسٹائل آپریشنز کی صورتحال ملی جلی رہی کیونکہ ایکسپورٹ۔ اورینٹڈ یونٹس نے ڈینم، ٹاول، بیڈلینن اور گریے فیبرکس کیلئے بیرونی طلب بڑھانے کے باعث بہتری ظاہر کی۔ تاہم نچلی سطح کے ٹیکسٹائل یونٹس نے درپیش بدتر کاروباری صورتحال بالخصوص یارن اور کاٹن کے نرخوں میں غیر ضروری اضافے کے باعث سست روی ظاہر کی۔ دیگر اہم کھپت کے شعبوں بشمول رائٹنگ/ پرنٹنگ اور صنعتی پیپر، بورڈ اور کوروگیشن کے شعبوں بالخصوص بڑے پیمانے پر کام کرنے والے یونٹس نے بہتر شرح نمو کا مظاہرہ کیا۔

مارکیٹ کی کٹھن صورتحال کے باوجود کھانے پینے کے اجزاء کے کاروبار نے گزشتہ سال کے برعکس اپنا سیلز کا حجم برقرار رکھا جس کی بنیادی وجہ مائع گلوکوز، ڈیکسٹروز اور فوڈ گریڈ اسٹارچز کے لیے کھپت کی صنعتوں سے مستحکم طلب تھی۔ کنفیکشنری انڈسٹری سے لیکویڈ گلوکوز کے لیے طلب قابل توجہ رہی جس کی وجہ پیکیجڈ کنفیکشنری بیس میں اضافہ، چینی کے مناسب نرخ اور برآمدی حجم میں اضافہ رہا۔ بیکری، آئس کریم، کیچ اپس، سوپس، اسٹل ڈرنکس، فارماسیوٹیکلز اور فوڈ پروسیسرز کی سیلز مستحکم رہی جبکہ نیوٹراسیوٹیکلز اور دیگر فوڈ و بیوریجز سیکٹرز سے ڈیکسٹروز کی طلب ارتعاش پذیر رہی۔

مویشیوں کے غذائی اجزاء کا کاروبار مستقل طور پر خسارے میں رہا جس کی وجہ بین الاقوامی مارکیٹ میں سویابین کے کم ترین نرخ اور مارکیٹ میں سستے داموں پر متبادل اجزاء کی دستیابی ہے۔ تاہم ڈیری اور ایکوا کلچر سے ہونے والی طلب نے جانوروں کی خوراک کے حجم کو کسی قدر برقرار رکھنے میں مدد دی۔

# چیئرمین کا جائزہ

میں بمسرت رفحان میظ پراڈکٹس کمپنی لمیٹڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول میں بورڈ کی جانب سے ادا کیے جانے والے مؤثر کردار کا جائزہ پیش کرر ہا ہوں۔

بورڈ نے چیلنجنگ سال کے دوران خصوصی طور پر ایک مؤثر اور فعال کردار ادا کیا۔ 2018 بھی کمپنی کے لیے ایک اعلیٰ کارکردگی اور ترقی کا سال رہا۔ آپ کی کمپنی نے 29.6 ارب پاک روپے کی خالص سیلز حاصل کی اور 4.8 ارب پاک روپے کا خالص منافع بعد از ٹیکس حاصل کیا جو گزشتہ سال کے مقابلے میں 9 فیصد زائد ہے۔

2018 ایک بھرپور اور چیلنجنگ سال ثابت ہوا۔ کاروبار کو متعدد بیرونی مخالفتوں و مسابقت کا سامنا رہا۔ روپے کی قدر 30 فیصد سے زائد گر گئی، اقتصادی اور سیاسی صورتحال غیر یقینی اور اُتار چڑھاؤ کا شکار رہی جبکہ انرجی اور خام مال کے نرخوں میں تیزی سے اضافے کے باعث اخراجات بھی بڑھ گئے۔ کمپنی اس سلسلے میں بھرپور فعال رہی اور متحرک ماحول اپنائے رکھنے کے ساتھ ان چیلنجوں سے نمٹنے کی کوششیں جاری رکھیں۔ پاکستانی معیشت ہمیشہ ناموزوں کاروباری ماحول کی وجہ سے لچکدار رہی ہے۔ ہم اس صورتحال میں بھی پرعزم رہے ہیں کہ اس ہنگامہ خیز مدت کے بعد کاروباری صورتحال میں بتدریج بہتری آجائے گی۔

ہم پُر اعتماد ہیں کہ ہمارا کاروبار ان چیلنجوں سے نمٹنے کے لیے بہتر پوزیشن میں ہے۔ ہم ایک مضبوط اور فعال انتظامی ٹیم اور ایک تجربہ کار اور انتہائی موقع شناس بورڈ کے حامل ہیں جنہوں نے موجودہ انتہائی مشکل ترین معاشی صورتحال میں بھی ہمارے کاروبار کو ترقی کی جانب گامزن رکھا ہوا ہے۔

آپ کی کمپنی انتہائی ٹھوس کارپوریٹ گورنینس پر بھی مکمل کاربند ہے۔ میں بمسرت یہ اطلاع دیتا ہوں کہ بورڈ کی کارکردگی انتہائی اعلیٰ معیار کی ہے جس کی بدولت سال کے دوران کمپنی نے مؤثر نتائج ظاہر کیے۔ بورڈ مستقل طور پر کمپنی کے امور کا جائزہ لیتا رہتا ہے اور انتظامیہ کو کلیدی شعبوں مثلاً اسٹریٹیجک پلاننگ، وسائل کے مؤثر و بہتر استعمال، مالیاتی کارکردگی، سرمائے کے استعمال، انسانی و آپریشنل گنجائش سے متعلق امور اور متعلقہ معاملات کے بارے میں مشورے دیتا رہتا ہے۔ بورڈ کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کے ضمن میں اپنی ذمہ داری کو تسلیم کرتا ہے جبکہ کمپنی کے کلیدی مقاصد کے حصول، شیئر ہولڈرز اور دیگر اسٹیک ہولڈرز کے منافع جات بہتر بنانے پر توجہ دینے اور ان مقاصد کے ضمن میں اپنا کردار بھی مؤثر طور پر ادا کرتا ہے۔

میں بورڈ کے تمام ممبران کا ان کی مستقل سرپرستی اور معاونت پر شکریہ ادا کرنا چاہوں گا اور انتظامیہ کی بھرپور صلاحیتوں کا اعتراف کرتا ہوں جس کی بدولت سال 2018 کے دوران شاندار کارکردگی کا مظاہرہ کیا گیا۔

پیئر پیریز وائی لینڈ ازوری

چیئرمین

## REQUEST FORM FOR DIVIDEND MANDATE (MANDATORY)

I wish the cash dividend declared by the Company, if any, be directly credited in my bank account, instead of issue of dividend warrant(s). My Bank Account details are as under:

| Shareholder's Details | |
|---|---|
| Name of Shareholder | |
| Folio/CDC Part. Id. No. | |
| Title of Bank Account (Name) | |
| Bank Account Number **(IBAN*)** | P K |
| Bank's Name | |
| Branch Name and Address | |
| Cell / Landline number | |
| CNIC/NICOP/NTN/Passport No. | |

Signature of Shareholder
(Please affix company stamp in case of corporate entity)

*** Please provide complete IBAN (24 digits), after checking with your concerned bank branch.**

In case of **Physical shareholders**, the form may be sent to Shares Registrar at the following address:

M/s FAMCO Associates (Pvt.) Ltd,
Shares Registrar: Rafhan Maize Products Co. Ltd.
8-F, Next to Hotel Faran, Nursery,
Block-6, PECHS, Shahrah-e-Faisal, Karachi.
Tel.No.021-34380101-05 Ext.118
Email: info.shares@famco.com.pk

**The CDC Shareholders** will send the above particulars to their respective stock brokers.

## Request Form for Hard Copy of Annual Audited Financial Statements

Date:_______________

I/We ________________________________ request that a hard copy of the Annual Financial Statements along with notice of general meetings be sent to me through post. My/our particulars in this respect are as follows:

| | |
|---|---|
| Folio/CDC A/c No. | |
| Postal Address: | |
| Email Address: | |
| Contact No.: | |
| CNIC No. | |
| Signature | |

The form may be sent directly to Shares Registrar or Company Secretary at the following addresses:

| Company Contact: | Shares Registrar: |
|---|---|
| Mr. M. Yasin Anwar<br>Company Secretary & Sr. Manger Corporate Affairs,<br>Rafhan Maize Products Co. Ltd.,<br>Rakh Canal East Road, Faisalabad.<br>Tel.No.041-8540121-23 – Ext.206 & 348<br>Email: corporate@rafhanmaize.com | Mr. Fakhar Abbasi<br>M/s FAMCO Associates (Pvt.) Ltd,<br>8-F, Next to Hotel Faran, Nursery,<br>Block-6, PECHS, Shahrahe-Faisal, Karachi.<br>Tel.No.021-34380101-05 Ext.118<br>Email: info.shares@famco.com.pk |

# Proxy Form

## 129th General Meeting (Annual Ordinary)

The Company Secretary,
Rafhan Maize Products Co. Ltd.,
Rakh Canal East Road,
Faisalabad.

I/We.................................................................................S/W/D of .................................................................................

R/o.........................................................................................................................................................................................

being shareholder(s) of Rafhan Maize Products Company Limited hereby appoint

................................................................................. S/W/D of .................................................................................

................................................................................. R/o .................................................................................

or failing him ..................................................................................................................................................................

as my/our proxy to attend and vote for me/us and on my/our behalf at the 129th General Meeting (Annual Ordinary) of the Company to be held on Monday, April 15, 2019 at 03:00 p.m. at Royalton Hotel, P-12, West Canal Road, Abdullahpur, Faisalabad and/or at any adjournment thereof.

Dated this ................................................ day of ................ 2019.

Affix Revenue
Stamp of
Rs.5/-

Signature of Proxy........................ Signature of Shareholder ..............................

Folio/CDC A/c Part. Id. No............................

No. of Shares held ........................ Shareholder CNIC No. ..................................

| **Witness I:** | **Witness II:** |
|---|---|
| Signature.................................. | Signature.................................. |
| Name: .................................. | Name: .................................. |
| CNIC # .................................. | CNIC # .................................. |
| Address:.................................. | Address:.................................. |

NOTES:

a) This Form of Proxy, duly completed and signed across a revenue stamp, must be deposited at the Company's Registered Office not less than 48 hours before the time of holding the meeting.

b) Shareholders or their Proxies should bring their original valid CNIC or original valid Passport for their Identification, CDC shareholders should also bring their Participant's ID Number and their Account Number

c) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary,
**Rafhan Maize Products Co. Ltd;**
Rakh Canal East Road,
Faisalabad.

# پراکسی فارم

129واں اجلاسِ عام (سالانہ عمومی)

کمپنی سیکریٹری،
رفان میظ پراڈکٹس کمپنی لمیٹڈ،
رکھ کینال ایسٹ روڈ،
فیصل آباد۔

میں/ہم ______ بحیثیت شیئر ہولڈر(ز) ______ ساکن ______ بابت ______
بابت رفان میظ پراڈکٹس کمپنی لمیٹڈ نے بذریعہ ہذا ______ بابت ______ ساکن ______
یا ان کی عدم دستیابی پر ______ کو بحیثیت پراکسی مقرر کیا ہے جو میری/ہماری جگہ پر کمپنی کے
129ویں اجلاسِ عام (سالانہ عمومی) منعقدہ رائلٹن ہوٹل، P-12، ویسٹ کینال روڈ، عبداللہ پور، فیصل آباد بروز پیر، 15 اپریل، 2019 کو بوقت سہ پہر 03:00 بجے یا کسی ملتوی شدہ تاریخ پر شرکت کر کے ووٹ ڈال سکے گا/گی۔

بتاریخ آج ______ بابت ______ 2019

| |
|---|
| -/5روپے<br>کاریونیو اسٹیمپ چسپاں کریں |

پراکسی کے دستخط ______

موجود شیئرز کی تعداد ______

**گواہ نمبر1:**

دستخط ______

نام ______

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ______

پتہ ______

شیئر ہولڈر کے دستخط ______

فولیو نمبر/سی ڈی سی اکاؤنٹ پارٹ آئی ڈی نمبر ______

شیئر ہولڈر کا سی این آئی سی نمبر ______

**گواہ نمبر2:**

دستخط ______

نام ______

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ______

پتہ ______

**نوٹ:**

الف۔ یہ پراکسی فارم ہر طرح سے مکمل کر کے اور ریونیو اسٹیمپ پر دستخط کر کے لازمی طور پر کمپنی کے رجسٹرڈ آفس میں اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل جمع کرادیا جائے۔

ب۔ شیئر ہولڈرز یا ان کے پراکسیز کو اپنی شناخت کے لیے اپنا اصل کارآمد سی این آئی سی یا اصل کارآمد پاسپورٹ ہمراہ لانا ہوگا۔ سی ڈی سی شیئر ہولڈرز کو اپنا پارٹیسپنٹ آئی ڈی نمبر یا اکاؤنٹ نمبر بھی ہمراہ لانا ہوگا۔

ج۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع نمونہ دستخط کمپنی کو پراکسی فارم کے ساتھ جمع کرانے ہوں گے (اگر یہ پہلے فراہم نہیں کیے گئے)۔

اسٹمپ چسپاں کریں

کمپنی سیکرٹری،
رفحان میز پراڈکٹس کمپنی لمیٹڈ،
رکھ کنال ایسٹ روڈ،
فیصل آباد۔

RafhanMaize
PRODUCTS CO LTD
FAISALABAD - PAKISTAN

www.rafhanmaize.com

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FAISALABAD - PAKISTAN

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