



QAVI & CO.

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RUPAFIL LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **RUPAFIL LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss, 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, statement of profit or loss, 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 June 30, 2019 and of the profit, 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.

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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.

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- 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.

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, 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) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Syed Saim Raza Zaidi**

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Lahore

Dated: 21-September-2019

RUPAFIL LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

(Rupees in thousand)

	Note	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	2,490,591	2,391,985
Long-term deposits	7	4,171	4,171
CURRENT ASSETS			
Stores, spares and loose tools	8	757,621	961,799
Stock-in-trade	9	652,123	814,158
Trade debts	10	305	13,546
Loans and advances	11	11,483	41,131
Short-term prepayments	12	1,676	83
Other receivables	13	610,354	502,096
Taxation - net	14	57,361	82,665
Cash and bank balances	15	40,252	16,567
		<u>2,131,175</u>	<u>2,432,045</u>
		<u>4,625,937</u>	<u>4,828,200</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 110,000,000 (2018: 110,000,000) ordinary shares of Rs. 10 each		<u>1,100,000</u>	<u>1,100,000</u>
Issued, subscribed and paid-up capital	16	1,070,028	1,070,028
Accumulated loss		(542,986)	(601,422)
Surplus on revaluation of freehold land	17	421,119	421,119
		<u>948,161</u>	<u>889,725</u>
		<u>948,161</u>	<u>889,725</u>
NON-CURRENT LIABILITIES			
Long-term financing	18	328,694	454,031
Long term financing - subordinated	19	464,000	464,000
Staff retirement benefits	20	101,658	90,236
Deferred taxation	21	53,858	130,204
Liabilities against assets subject to finance lease	22	-	206
Long term deposits	23	7,284	7,272
		<u>955,494</u>	<u>1,145,949</u>
CURRENT LIABILITIES			
Trade and other payables	24	1,071,526	990,712
Short-term borrowings	25	1,429,877	1,614,239
Accrued mark-up		56,273	35,642
Current portion of long term borrowings	26	164,607	151,933
		<u>2,722,283</u>	<u>2,792,526</u>
CONTINGENCIES AND COMMITMENTS			
	27	<u>4,625,937</u>	<u>4,828,200</u>

The annexed notes 1 to 44 form an integral part of these financial statements.

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Nooruddin Feerasta
Managing Director



Abdul Hayee
Director

RUPAFIL LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2019

(Rupees in thousand)	Note	2019	2018
Sales	28	6,261,042	5,082,748
Cost of goods sold	29	(5,987,907)	(4,875,643)
Gross profit		273,136	207,105
Selling and distribution expenses	30	(21,678)	(19,705)
Administrative and general expenses	31	(80,196)	(77,274)
Other charges	32	(3,330)	(9,046)
Other income	33	42,900	47,653
Operating profit		210,832	148,733
Finance cost	34	(148,494)	(100,979)
Profit before taxation		62,337	47,754
Provision for taxation	35	(1,038)	(4,497)
Profit after taxation		61,300	43,257
Rupees			
Earnings per share - basic and diluted	36	<u>0.57</u>	<u>0.40</u>

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 44 form an integral part of these financial statements.

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Nooruddin Feerasta
 Managing Director



Abdul Hayee
 Director

RUPAFIL LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

(Rupees in thousand)

Note

2019

2018

Profit after taxation

61,300

43,257

Other comprehensive income

Items that will not be reclassified to profit or loss:

- Remeasurement loss on defined benefit obligation
- Deferred tax credit relating to remeasurement of defined benefit obligation

20

(4,034)

-

1,170

-

Items that may be reclassified subsequently to profit or loss:

Surplus on revaluation of freehold land

6.1

-

-

Other comprehensive income for the year

(2,864)

-

Total comprehensive income

58,436

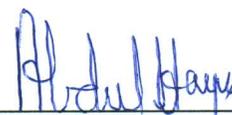
43,257

The annexed notes 1 to 44 form an integral part of these financial statements.

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Nooruddin Feerasta
Managing Director



Abdul Hayee
Director

RUPAFIL LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

(Rupees in thousand)

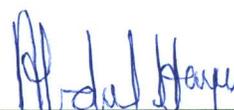
	Note	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	37	745,853	307,564
Finance costs paid		(127,863)	(100,770)
Income tax paid		(50,910)	(24,479)
Staff retirement benefits paid		(9,831)	(7,078)
Mark-up / Interest income received		1,602	891
Net cash inflow from operating activities		<u>558,851</u>	<u>176,127</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(239,620)	(326,932)
Proceeds from disposal of property, plant and equipment		1,676	700
Net cash outflow from investing activities		<u>(237,944)</u>	<u>(326,232)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Long-term financing		(112,330)	221,463
Long-term deposits		12	(397)
Liabilities against assets subject to finance lease		(538)	(548)
Net cash (outflow) / inflow from financing activities		<u>(112,856)</u>	<u>220,518</u>
Net increase in cash and cash equivalents		208,051	70,413
Cash and cash equivalents at the beginning of the year		(1,597,672)	(1,668,085)
Effect of exchange rate fluctuations		(4)	-
Cash and cash equivalents at the end of the year		<u>(1,389,625)</u>	<u>(1,597,672)</u>
Cash and cash equivalents			
Cash and bank balances	15	40,252	16,567
Short-term borrowings	25	(1,429,877)	(1,614,239)
		<u>(1,389,625)</u>	<u>(1,597,672)</u>

The annexed notes 1 to 44 form an integral part of these financial statements.

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Nooruddin Feerasta
Managing Director



Abdul Hayee
Director

RUPAFIL LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

(Rupees in thousand)

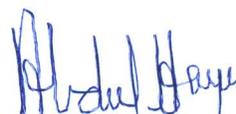
	Issued, subscribed and paid-up capital	Revenue Reserves Accumulated Loss	Surplus on revaluation freehold land	Total
Balance as on 01 July 2017	1,070,028	(644,679)	421,119	846,468
Total Comprehensive loss				
- Loss for the year ended 30 June 2018	-	43,257	-	43,257
- Other comprehensive income for the year ended 30 June 2018	-	-	-	-
	-	43,257	-	43,257
Balance as on 30 June 2018	1,070,028	(601,422)	421,119	889,725
Balance as on 01 July 2018	1,070,028	(601,422)	421,119	889,725
Total Comprehensive income				
- profit for the year ended 30 June 2019	-	61,300	-	61,300
- Other comprehensive income for the year ended 30 June 2019	-	(2,864)	-	(2,864)
	-	58,436	-	58,436
Balance as on 30 June 2018	1,070,028	(542,986)	421,119	948,161

The annexed notes 1 to 44 form an integral part of these financial statements.

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Nooruddin Feerasta
 Managing Director



Abdul Hayee
 Director

RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1 Legal status and nature of business

RUPAFIL LIMITED ("the Company") was incorporated in Pakistan on 25 January 1992 as a Public Limited Company. The registered office of the Company is situated at 241-242 Upper Mall Scheme, Anand Road, Lahore and plant is situated at 13.4 KM Sheikhpura – Sharaqpur Road, Sheikhpura. It is principally engaged in the manufacture and sale of synthetic textile products.

2 Significant transactions and events affecting the Company's financial position and performance

All significant transactions and events that have affected the Company's statement of financial position and performance have been discussed below and adequately disclosed in the notes to these financial statements, where ever necessary.

- a) The Exchange rate of USD to PKR has increased from PKR 121.73 as at 30 June 2018 to PKR 163.76 as at 30 June 2019;
- b) For a detailed discussion about the Company's performance please refer to the director's report.

3 Significant accounting information and policies

3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

-Provisions of and the directives issued under the Companies Act, 2017

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention unless otherwise specifically stated.

4 New standards, amendments to approved accounting standards and new interpretations

4.1 Amendments to approved accounting standards and interpretations which are effective during the year ended June 30, 2019

The Company has adopted the following accounting standards, the amendments and interpretations of IFRSs which became effective for the current year:

IFRS - 2 Share based payments

IFRS - 4 Insurance contracts

IFRS - 9 Financial instruments

IFRS - Revenue from Contracts with Customers

IAS - Investment Property: Transfers of Investment Property (Amendments)

IFRIC - Foreign Currency Transactions and Advance Consideration

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the financial statements except for IFRS 9 - "Financial Instruments" and IFRS 15 "Revenue from contracts with customers". The impact of the adoption of these standards is given below:

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

IFRS - 15 "Revenue from contracts with customers"

IFRS 15 supersedes IAS 11 - "Construction Contracts", IAS 18 - "Revenue" and related Interpretations and it applies to all revenue arising from contracts with customers, unless these contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company elected the modified retrospective method and applied the standard retrospectively to only the most current period presented in the financial statements. Accordingly, the information presented for the previous corresponding period has not been restated.

The Company generates its revenue from sale of goods. The Company's contracts with customers for the sale of goods generally include one performance obligation. The Company has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition and the amount of revenue recognised.

In general, the contracts for the sale of goods do not provide customers with a right of return and volume rebates. Accordingly, the application of the constraint on variable consideration did not have any impact on the revenue recognised by the Company.

IFRS - 9 "Financial Instrument"

IFRS - 9 "Financial Instruments" replaces IAS - 39 "Financial Instruments: Recognition and Measurement".

Classification and measurement

Except for certain trade receivables, under IFRS 9, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion')

At transition date to IFRS 9, the Company has financial assets measured at amortised cost and equity instruments at FVOCI. The new classification and measurement of the Company's financial assets are, as follows:

a) 'Debt instruments' at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

b) 'Equity instruments' at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to classify upon initial recognition or transition. The Company classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Company's unquoted equity instruments were classified as available for sale financial assets.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The accounting for the Company's financial liabilities remains largely the same as it was under IAS 39. Accordingly, the adoption of IFRS 9 has no significant effect on the Company's accounting policies related to financial liabilities.

Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. The adoption of the ECL requirements of IFRS 9 did not result in any difference in the existing impairment allowances of the Company's debt financial assets.

4.2 **New standards, amendments to approved accounting standards and interpretations that are effective for the Company's accounting periods beginning on or after July 1, 2018**

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standards or interpretations	Effective date (annual periods beginning on or after)
IFRS 3 Business Combinations - Definition of a Business (Amendments)	01 January 2020
IFRS 3 Business Combinations - Previously held interests in a joint operation	01 January 2019
IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS 11 Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRS 16 Leases	01 January 2019
IAS 1/1A Definition of Material (Amendments)	01 January 2020
IAS 12 Income Taxes: Income tax consequences of payments on financial instruments	01 January 2019
IAS 19 Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation	01 January 2019
IAS 28 Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 2: Uncertainty over Income Tax Treatments	01 January 2019

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5 Significant accounting policies

The significant accounting policies as set out below are consistently applied for all periods presented in these financial statements.

5.1 Property, plant and equipment

5.1.1 Operating fixed assets

These are stated at cost less accumulated depreciation less accumulated impairment losses, if any, except for freehold land and leasehold land which are stated at revalued amount.

Depreciation on operating fixed assets is calculated on reducing balance method. Full month's depreciation is charged in the month of addition, whereas no depreciation is charged in the month of disposal or deletion of assets. Rates of depreciation, which are disclosed in note 6, are determined to allocate the cost of an asset less estimated residual value, if significant, over its useful life.

The assets' residual values and useful lives are reviewed, and adjusted if significant, at each reporting date.

Disposal of assets is recognised when significant risks and reward incidental to the ownership have been transferred to buyers. Gains / losses on disposal of assets are recognised in income / expense in the year of disposal.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognised in the statement of profit or loss, the increase is first recognised in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit.

Normal repairs and maintenance costs are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

5.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost and consists of expenditure incurred, advances made and other directly attributable costs in respect of operating fixed assets in the course of their construction and installation. Transfers are made to relevant operating fixed assets category as and when assets are available for use.

5.2 Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Impairment losses are charged to statement of profit or loss.

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 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.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5.3 Investment property

Property held to earn rentals or for capital appreciation or for both is classified as investment property. Investment property comprises freehold land and buildings. Investment property is carried at fair value.

Investment property of the Company is valued by independent professionally qualified valuers. The fair value of investment property (in accordance with IFRS 13) reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions. The fair value of the investment property is based on professional assessment of the price that would be received to sell the property in an orderly transaction between market participants at the measurement date.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and fair value of this item at the date of transfer is recognised in equity as a revaluation reserve for investment property. However, if fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through profit and loss account.

If an investment property becomes owner-occupied or stock-in-trade, it is reclassified as property, plant and equipment or stock-in-trade and its fair value at the date of reclassification becomes its cost for accounting purpose for subsequent recording.

5.4 Financial instruments

(i) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss
- Financial assets at amortised cost (debt instruments)
 - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
 - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when the asset's rights to receive cash flows have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- (a) the Company has transferred substantially all the risks and rewards of the asset, or
- (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method (effective interest rate method). Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation activity.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(iii) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis.

Revenue from contracts with customers

The Company is in the business of sale of goods i.e Polyester products. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., right of returns, volume rebates). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non cash consideration, and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of chemicals provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration. Contracts with the Company's customers provide them with a right of return, price adjustments and volume rebates and are considered as variable consideration.

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Volume rebates

The Company provides retrospective volume rebates (discounts) to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Company then

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Assets and liabilities arising from rights of return

Right of return assets

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer.

The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

Performance obligations

The performance obligation is satisfied when the physical possession of the goods has passed to the customers for local sales whereas for export sales, performance obligation is satisfied when the risk and rewards in respect of the goods are transferred to the customer. Payment is generally received in advance or, if due, within 30 days from delivery.

Profit on bank deposit

Profit on bank deposit is accounted for using effective interest rate method.

Dividend income

Dividend income is recognised when the right to receive dividend is established

5.5 Advances, deposits and prepayments

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

5.6 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of moving average cost and net realizable value. Items-in-transit are valued at cost comprising invoice value plus Other expenses paid thereon. Provision is made for slow moving and obsolete items.

5.7 Stock-in-trade

Stock-in-trade, except for those in transit, are valued at lower of weighted average cost and net realizable value. Items-in-transit are valued at cost comprising invoice value plus Other expenses paid thereon. Cost of work-in-process and finished goods comprises direct material, labour and appropriate manufacturing overheads.

Provision is made for slow moving and obsolete items.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and costs necessarily to be incurred in order to make a sale.

5.8 Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount less provision for doubtful debts, if any. Provision for doubtful debt / receivables is based on the management's assessment of customers' outstanding balances and credit worthiness. Bad debts are written-off when identified.

Other receivables and receivables from related parties are recognized and carried at cost.

5.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise short-term borrowings, cash in hand and cash with banks in current and saving accounts.

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RUPAFIL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 30 JUNE 2019**

(Rupees in thousand)

	Note	2019	2018
6 Property, plant and equipment			
Operating fixed assets	6.1	2,488,051	2,390,331
Capital work-in-progress	6.4	2,540	1,654
		<u>2,490,591</u>	<u>2,391,985</u>

(Rupees in thousand)

6.1 Operating fixed assets	Owned Assets										Assets subject to finance lease		Total	
	Freehold Land	Building			Roads	Plant & machinery (note - 6.3)	Furniture & fittings	Vehicles	Office equipment	Other assets	Sub-total	Vehicles		Sub-total
		Factory on freehold land	Office on freehold land	Residence										
Net carrying value basis														
Year ended 30 June 2019														
Opening net book value (NBV)	433,744	282,776	603	7,407	2,016	1,634,303	11,542	6,119	5,922	4,473	2,388,905	1,426	1,426	2,390,331
Additions (at cost)	-	35,693	11,249	-	-	178,196	1,638	9,059	2,204	696	238,734	-	-	238,734
Revaluation surplus (Note - 16)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals / write offs:														
- Cost	-	-	-	-	-	-	-	2,202	-	-	2,202	-	-	2,202
- Accumulated depreciation	-	-	-	-	-	-	-	(2,113)	-	-	(2,113)	-	-	(2,113)
Depreciation Charge	-	(16,671)	(212)	(370)	(1,677)	(118,753)	(1,233)	(2,093)	(670)	(445)	(140,615)	(309)	(309)	(140,924)
Closing net book value (NBV)	433,744	301,798	11,640	7,037	1,849	1,693,746	11,947	12,996	7,456	4,723	2,486,934	1,117	1,117	2,488,051
Gross carrying value basis														
As at 30 June 2019														
Cost	433,744	500,467	13,160	8,088	5,565	4,185,618	20,563	25,437	14,421	11,154	5,218,215	3,153	3,153	5,221,368
Accumulated depreciation	-	(198,669)	(1,520)	(1,051)	(3,716)	(2,491,872)	(8,616)	(12,441)	(6,965)	(6,430)	(2,731,281)	(2,036)	(2,036)	(2,733,317)
Net book value (NBV)	433,744	301,798	11,640	7,037	1,849	1,693,746	11,947	12,996	7,456	4,723	2,486,934	1,117	1,117	2,488,051
Depreciation rate p.a. (%)	-	5 to 10	5	5	5	5 to 10	10	20	10	10	-	20	-	-
Net carrying value basis														
Year ended 30 June 2018														
Opening net book value (NBV)	433,744	34,438	635	6,262	2,065	693,626	9,037	2,666	4,721	4,660	1,191,854	1,783	1,783	1,193,637
Additions (at cost)	-	253,898	-	1,464	54	1,020,449	3,461	3,602	1,766	282	1,284,976	-	-	1,284,976
Revaluation surplus (Note - 16)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals / write offs:														
- Cost	-	-	-	-	-	-	-	812	-	-	812	-	-	812
- Accumulated depreciation	-	-	-	-	-	-	-	(770)	-	-	(770)	-	-	(770)
Depreciation Charge	-	(5,560)	(32)	(319)	(103)	(79,772)	(956)	(107)	(565)	(469)	(87,883)	(357)	(357)	(88,240)
Closing net book value (NBV)	433,744	282,776	603	7,407	2,016	1,634,303	11,542	6,119	5,922	4,473	2,388,905	1,426	1,426	2,390,331
Gross carrying value basis														
As at 30 June 2018														
Cost	433,744	464,774	1,911	8,088	5,565	4,007,422	18,925	18,580	12,217	10,458	4,981,684	3,153	3,153	4,984,837
Accumulated depreciation	-	(181,998)	(1,308)	(681)	(3,549)	(2,373,119)	(7,383)	(12,461)	(6,295)	(5,985)	(2,592,779)	(1,727)	(1,727)	(2,594,504)
Net book value (NBV)	433,744	282,776	603	7,407	2,016	1,634,303	11,542	6,119	5,922	4,473	2,388,905	1,426	1,426	2,390,331
Depreciation rate p.a. (%)	-	10	5	5	5	10	10	20	10	10	-	20	-	-

(Rupees in thousand)

	Note	2019	2018
6.2 The depreciation charge has been allocated as follows:			
Cost of goods sold	29	136,037	85,904
Selling and distribution expenses	30	244	117
Administrative and general expenses	31	4,643	2,219
		<u>140,924</u>	<u>88,240</u>

6.3 This amount includes markup, at a rate of 6 Months KIBOR + 0.75% on loan obtained for acquisition of plant and machinery as a part of expansion project. The markup capitalised during the year amount to Rs. 50.505 million.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2019

(Rupees in thousand)	Note	2019	2018
6.4 Capital work-in-progress			
Civil works		2,020	-
Factory Building		520	143
Plant and machinery		-	-
Furniture & fixture		-	-
Office equipment		-	-
CFPP Pre-production		-	1,511
Other assets		2,540	1,654

6.5 Particulars of immoveable assets the Company are as follows

Location	Address	Usage of property	Total area (sq.ft)
Sheikhupura	13.2KM, Sheikhupura -Shraapur Road, Sheikhupura	Production plant	747,983

(Rupees in thousand)	Note	2019	2018
7 Long-term deposits			
Security deposits		4,171	4,171
		4,171	4,171
8 Stores, spares and loose tools			
Stores			
- In hand	8.1	168,494	386,363
- In transit		62,018	57,505
		230,512	443,868
Spares			
- In hand		506,440	477,802
- In transit		12,828	32,936
		519,268	510,738
Loose tools			
- In hand		7,841	7,193
		757,621	961,799

8.1 This includes fuel for power and steam generation amounting to Rs. 59.828 million (2018: Rs. 68.931 million).

(Rupees in thousand)	Note	2019	2018
9 Stock-in-trade			
Raw and packing materials			
- In hand		255,067	244,634
- In transit		-	527
		255,067	245,161
Work-in-process		61,782	65,277
Finished goods	9.1	335,274	503,720
		652,123	814,158

9.1 None of these finished goods are carried at net realisable value Rs. (2018: Nil) and no amount has been charged to cost of goods sold in this respect (2018: Nil).

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2019

(Rupees in thousand)		Note	2019	2018
10	Trade debts			
	Considered good - Unsecured		305	13,546
			<u>305</u>	<u>13,546</u>
11	Loans and advances - Considered good			
	Loans due from			
	- Staff - Secured	11.1	1,966	2,058
			1,966	2,058
	Advances due from			
	- Staff against expenses - secured		176	-
	- Suppliers and contractors		9,340	39,073
			9,517	39,073
			<u>11,483</u>	<u>41,131</u>

11.1 Loans have been granted under staff loan policy, as temporary financial assistance, to staff. These are secured against the gratuity payable to employees and are recoverable in 12 equal monthly installments. These loans carry mark-up at the rate of 14% (2018: 14.00%) per annum. None of these loans are outstanding for more than 1 years. Further, the chief executive officer and directors have not taken any loan or advance from the Company.

(Rupees in thousand)		Note	2019	2018
12	Short-term prepayments			
	- Considered good			
	Prepaid insurance		69	69
	Other prepayments		1,607	14
			<u>1,676</u>	<u>83</u>
13	Other Receivables			
	Considered good			
	Sales tax refundable		606,743	500,095
	Others		3,612	2,001
			610,354	502,096
	Considered doubtful			
	Sales tax refundable		67,208	67,208
	Less: Provision for doubtful receivables	13.1	(67,208)	(67,208)
			-	-
			<u>610,354</u>	<u>502,096</u>

13.1 This includes provision for doubtful receivables amounting to Rs. 0.097 million (2018: Rs. 0.097 million), which has been created towards payments made under protest to Sales Tax Department to avail amnesty offered vide SRO 575 (I) / 1998 dated 12.06.1998 and SRO 679 (I) / 1999 dated 12/06/1999.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2019

(Rupees in thousand)		Note	2019	2018
14	Taxation - net			
	Advance tax		133,575	82,665
	Provision for taxation - current	35	(76,214)	-
			<u>57,361</u>	<u>82,665</u>

The income tax assessment of the Company has been finalized up to Tax Year 2018. Return for the tax year 2018 has been duly filed and adequate provisions have been made in these financial statements for the year ended 30 June 2019 (Tax Year 2019).

(Rupees in thousand)		Note	2019	2018
15	Cash and bank balances			
	Balance with banks			
	- Current accounts			
	- Local currency		25,922	7,090
	- Foreign currency	15.1	1	1
	- PLS / Savings Accounts			
	- Local currency	15.2	13,355	8,500
			<u>39,278</u>	<u>15,591</u>
	Cash in hand			
	- Local currency		870	883
	- Foreign currency		104	93
			<u>974</u>	<u>976</u>
			<u>40,252</u>	<u>16,567</u>

15.1 Cash at banks include US \$ 2.70 (2018: US \$ 4.48).

15.2 The balances in PLS accounts carry mark-up rate ranging between 8.00% to 12.75% (2018: 3.40% to 6.30%) for local currency.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2019

(Rupees in thousand)		Note	2019	2018
16	Issued, subscribed and paid-up capital			
	2019			2018
	Ordinary shares of Rs. 10 each			Ordinary shares of Rs. 10 each
	107,002,804		1,070,028	1,070,028
		- Shares allotted for consideration paid in cash		
	<u>107,002,804</u>		<u>1,070,028</u>	<u>1,070,028</u>

- 17 Surplus on revaluation of freehold land**
During the year ended 30 June 2017, the Company carried out a revaluation of its freehold land which represents an area measuring 54.218 acres situated at 13.4-Km Sheikhpura-Sharaqpur Road. M/s Hamid Mukhtar & Co. (Pvt.) Limited carried out the valuation exercise, based on their assessment and prevailing market conditions of real estate in that area. They were of the opinion that fair value market rate of the land was assessed to be Rs. 8 million per acre at that date and forced sale value of Rs: 6.16 million per acre. Had the freehold land not been revalued, the carrying amount would have been Rs: 12.625 million.

(Rupees in thousand)			2019	2018
18	Long-term financing			
	From banking companies - secured			
	Utilized under mark-up arrangement from banks - secured	18.1	493,044	605,375
	Current portion shown under current liabilities	26	(164,350)	(151,344)
			<u>328,694</u>	<u>454,031</u>

- 18.1** The Company had obtained a term finance facility of Rs. 652 million from MCB Bank Limited for the purpose of import and procurement of plant and machinery, spare parts and related civil works. The facility is secured by way of first charge over fixed assets aggregating to Rs. 1,071,000 million, lien over import documents and carries a mark-up of 6 month KIBOR + 0.75% to be reset on biannual basis. The loan is repayable in 10 equal half yearly installments and six installments are outstanding as at the end of reporting period. Maximum amount utilized at the end of any during the year amounts to Rs: 605.375 million.

19	Long-term financing - subordinated			
	From related party - unsecured			
	Interest free loan	19.1	464,000	464,000
			<u>464,000</u>	<u>464,000</u>

- 19.1** This loan is interest free and unsecured, obtained from Alnu Trust. The loan is repayable upon easing of company's liquidity and is subordinated to loans from banks.

- 20 Staff retirement benefits**
20.1 Defined benefit plan - gratuity
The scheme provides for retirement benefits for all its permanent employees who attain the minimum qualifying period for entitlement to gratuity.

Annual charge is based on actuarial valuation conducted in accordance with IAS-19 (Revised) 'Employee Benefits' as at 30 June 2019, using the Projected Unit Credit Method.

20.1.1 Principal actuarial assumptions

Following are a few important actuarial assumptions used in valuation:

	2019	2018
Discount rate (%) per annum	12.5	7
Expected rate of salary increase in future years (%) per annum	11.5	6
Average expected remaining working life time of employees (years)	6	7
Average duration of liability (years)	6	6

The gratuity scheme exposes the Company to the following risks:

a) Mortality risk

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

b) Investment risks

The Company is not managing any plan asset.

c) Final salary risks

The risk that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

d) Risk of insufficiency of assets

The Company is exposed to risk of insufficiency of funds at the time of payment.

e) Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5.14 Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting future cash flows and appropriate discount rate wherever required. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

5.15 Borrowings and borrowing cost

Borrowings are recorded at the proceeds received. Financial charges are accounted for on an accrual basis and are disclosed as 'Mark-up Accrued' to the extent of the amount remaining unpaid.

All mark-up, interest and Other expenses on long-term and short-term borrowings are charged to profit in the period in which they are incurred.

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are ready for their intended use.

5.16 Proposed dividend and transfer between reserves

Dividend declared and transferred between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends are declared / transfers made.

5.17 Transaction with related party

All transactions with related parties are entered into at arm's length basis as disclosed in note 40 (as defined in Companies Act 2017)

5.18 Foreign currency transactions and translation

a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5.10 Staff retirement benefits

5.10.1 Defined benefit plan - Gratuity

The Company operates an Unfunded Defined Benefit Gratuity Scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. The provision is made on the basis of actuarial recommendation to cover the obligation under the scheme for all employees eligible to gratuity benefits. The Company conducts actuarial valuation after every two years and the latest actuarial valuation being carried out at 30 June 2019.

5.10.2 Defined contribution plan - Provident fund

The Company operates an approved provident fund scheme which covers all permanent employees. Equal monthly contributions are made by the Company and employees. Contribution is made by the Company at the rate of 8.33 % of basic salary.

5.11 Taxation

5.11.1 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 the current tax also includes adjustments to charge for prior years, if any.

5.11.2 Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the reporting date, between the tax bases of assets and the liabilities and their carrying amounts. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. In this regard, the effects on the deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. Deferred tax is charged or credited to income.

Deferred tax relating to items recognised outside profit and loss account is recognised outside profit and loss account. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

5.12 Compensated absences

The Company accounts for compensated absences in the accounting period in which these are earned.

5.13 Trade and other payables

Liabilities for trade and other amounts payable are recognized and carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

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RUPAFIL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 30 JUNE 2019**

(Rupees in thousand)	Note	2019	2018
20.1.2 The amount recognised in the statement of financial position			
Present value of defined benefit obligation	20.1.3	101,658	90,236
Less: fair value of plan assets		-	-
Defined benefit liability at the end of the year		101,658	90,236
20.1.3 Reconciliation of present value of defined benefit obligation			
Present value at the beginning of the year		90,236	81,393
Charge for the year - Profit and loss account	20.1.4	17,218	15,922
Charge for the year - Other comprehensive income	20.1.5	4,034	-
Benefits paid during the year		(9,831)	(7,078)
Present value at the end of the year		101,658	90,236
20.1.4 Amount chargeable to profit or loss for the year			
Current service cost		11,032	10,610
Net interest cost		6,186	5,312
		17,218	15,922
20.1.5 Remeasurement of net defined benefit liability			
Actuarial (gains) / losses due to changes in demographic assumptions		-	-
Actuarial (gains) / losses due to experience adjustments		4,034	-
		4,034	-
20.1.6 Charge for the year has been allocated as follows:			
Cost of goods sold	29	13,059	12,076
Selling and distribution expenses	30	208	192
Administrative and general expenses	31	3,951	3,653
		17,218	15,922
20.1.7 Sensitivity analysis			

The calculation of defined benefit obligation is sensitive to assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in respective assumptions by one percent.

(Rupees in thousand)	Effect of 1% Increase	Effect of 1% decrease
Present value in case of discount rate	95,498	108,716
Present value in case of future salary growth	108,716	95,394

The above sensitivity analysis are based on the changes in assumptions 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 defined benefit obligation to significant assumptions the same method (Projected Unit Credit Method) has been applied when calculating the liability recognised within the balance sheet.

20.2 Defined contribution plan - provident fund

The Company has contributory provident fund scheme for benefits of all its permanent employees under the title of "Rupafil Limited - Employees' Provident Fund Trust". The fund is maintained by the Trustees and all the decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Company.

20.2.1 The Trustees have intimated that the size of the Fund at the year end was Rs. 18.771 million (2018: Rs. 16.035 million).

20.2.2 As intimated by the Trustees, the cost of investments made at the year end was Rs. 18.537 million (2018: Rs. 15.881 million), 98.75% of the total fund size (2018: 99.04%). Since the aforementioned funds are invested in PLS accounts therefore, the fair value of the investments equals its cost.

20.2.3 According to the Trustees, investments out of the provident fund have been made in accordance with the provisions of section 218 of the Companies Act 2017.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2019

(Rupees in thousand)		Note	2019	2018
21	Deferred taxation			
	Deferred tax liability on taxable temporary differences			
	- Accelerated tax depreciation allowance - Charged to statement of profit or loss		264,151	203,401
	Deferred tax asset on deductible temporary differences			
	- Remeasurement loss on defined benefit obligation - credited to other comprehensive income		(1,170)	-
	- Liability against assets subject to finance lease - credited to statement of profit or loss		(75)	(199)
	- Unutilised tax losses - credited to statement of profit or loss	21.2	(209,048)	(72,998)
			<u>53,858</u>	<u>130,204</u>

21.1 Deferred tax has been computed at a rate of 29%, which is enacted tax rate in accordance with Income Tax Ordinance, 2001 and Finance Act, 2019.

21.2 The Company has assessed unutilised tax losses of Rs. 953.303 million, in respect of tax year 2012 to 2018, to be off set against future taxable profits and deferred tax asset arising thereon amounts to Rs. 276.458 million. According to the forecast prepared by the management, deferred tax asset only to the extent of anticipated future taxable profits of Rs. 720.855 million has been recognised.

22 Liabilities against assets subject to finance lease

Minimum lease payments

- payable within one year	259	628
- payable after one year but before five years	-	209
	<u>259</u>	<u>837</u>

Future financial charges

- payable within one year	2	39
- payable after one year but before five years	-	3
	<u>2</u>	<u>42</u>

Present value of minimum lease payments

- payable within one year	257	589
- payable after one year but before five years	-	206
	<u>257</u>	<u>795</u>

Current portion shown under current liabilities

	<u>(257)</u>	<u>(589)</u>
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Non-current portion

	<u>-</u>	<u>206</u>
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22.1 Future minimum lease payments have been discounted at an implicit interest rate from 7.38% to 7.40% (2018: 7.41% to 11.47%) per annum to arrive at their present values. Rentals are payable in advance in monthly instalments. Taxes, repairs, replacements and insurance costs are to be borne by the Company. The lease contains a bargain purchase option exercisable at the end of lease and it is reasonably certain that the Company will exercise this option at maturity.

(Rupees in thousand)		Note	2019	2018
23	Long term deposits			
	Security deposit		7,284	7,272
24	Trade and other payables			
	Creditors		970,922	907,982
	Accrued liabilities		70,744	47,164
	Advances from customers		1,970	1,698
	Retention money		10,769	13,811
	Payable to provident fund		235	219
	Income tax deducted at source		681	435
	Workers' profit participation fund	24.1	7,686	6,427
	Workers welfare fund		-	956
	Other payables		8,518	12,020
			<u>1,071,526</u>	<u>990,712</u>

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NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2019

(Rupees in thousand)		Note	2019	2018
24.1	Workers' profit participation fund			
	Balance at the beginning of the year		6,427	3,862
	Add: Allocation for the year		5,846	2,565
	Less: Amount paid to the trustees of the fund		(4,587)	-
	Balance at the end of the year		<u>7,686</u>	<u>6,427</u>
25	Short-term borrowings			
	From banking companies - secured			
	Running finances under mark-up arrangements from banks	26.1 & 26.2	1,300,877	1,492,239
	From related party - unsecured			
	Interest free loan	25.3	129,000	122,000
			<u>1,429,877</u>	<u>1,614,239</u>

25.1 The aggregate finance facilities available from various commercial banks amounted to Rs. 1,616 million (2018: Rs. 1,616 million). These carry mark-up at the rates ranging from 8.42% to 13.80% (2018: 6.90% to 8.30%) p.a. and are secured against hypothecation charge on current assets of Rs. 2,057.500 million (2018: Rs. 2,057.500 million) and promissory notes of Rs:1,486.730 . Maximum amount utilised during the year amounted to Rs. 1,715.260 million (2018: Rs. 1,530.230 million).

25.2 The facilities for opening letter of credit from various commercial banks as at 30 June 2019 aggregates to Rs. 2,100.000 million (2018: Rs. 1,861.020 million) of which the amount remained unutilised at the year-end was Rs.1,037.857 million (2018: Rs. 938.293 million).

25.3 This unsecured and interest free loan was obtained from Alnu trust. Maximum amount utilised during the year ended 30 June 2019 amounted to Rs. 179 million (2018: Rs. 122 million). During the year , Rs: 57.00 million has been obtained and Rs: 50.000 has been repaid, respectively. The loan is repayable on demand by the trust.

(Rupees in thousand)		Note	2019	2018
26	Current portion of long term borrowings			
	Long term financing	18	164,350	151,344
	Liabilities against assets subject to finance lease	22	257	589
			<u>164,607</u>	<u>151,933</u>

27 Contingencies and commitments

27.1 Contingencies:

28.1.1 Guarantees issued to different organizations in the normal course of business amounted to Rs. 39.823 million (2018: Rs. 38.290 million).

28.1.2 No outstanding guarantees were given on behalf of related parties as at 30 June 2019 and 2018.

27.2 Commitments:

28.2.1 Contracts for capital expenditure commitments outstanding as at 30 June 2019 amounted to Rs. 4.7000 million (2018: Rs. 74.109 million).

28.2.2 Commitments against irrevocable letters of credit as at 30 June 2019 amounted to Rs. 1,062.143 million (2018: Rs. 230.809 million).

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Rupees in thousand)		Note	2019	2018
28	Gross sales - local		6,307,245	5,120,448
	Less:			
	- Commission / discount		(45,480)	(36,756)
	- Sales Tax		(723)	(944)
			(46,202)	(37,700)
			6,261,042	5,082,748
29	Cost of goods sold			
	Raw and packing materials consumed		4,441,929	3,993,321
	Stores and spares consumed		105,807	106,470
	Salaries, wages and amenities	29.1	255,133	240,792
	Fuel and power		834,670	656,284
	Repair and maintenance		14,342	14,288
	Running and maintenance of vehicles		15,232	11,472
	Insurance		10,648	10,111
	Depreciation	6.2	136,037	85,904
	Printing and stationery		1,331	1,438
	Rent, rates and taxes		193	300
	Other expenses		645	1,770
	Manufacturing cost		5,815,966	5,122,150
	Add: Opening Work-in-Process		65,277	21,966
	Less: Closing Work-in-Process		(61,782)	(65,277)
	Cost of goods manufactured		5,819,461	5,078,839
	Add: Opening Finished Goods		503,720	300,524
	Less: Closing Finished Goods		(335,274)	(503,720)
			5,987,907	4,875,643

29.1 Salaries, wages and amenities include Rs. 13.059 million (2018: Rs. 12.076 million) in respect of staff retirement benefits and Rs. 0.736 million (2018: Rs 0.863 million) in respect of provident fund contribution.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Rupees in thousand)	Note	2019	2018
30 Selling and distribution expenses			
Salaries, wages and amenities	30.1	3,368	3,441
Freight and forwarding		17,456	15,520
Rent, rates and taxes		13	14
Electricity, gas and water charges		1	1
Postage, telephone and fax		59	52
Printing and stationery		21	37
Books and subscription		44	3
Running and maintenance of vehicles		159	111
Repair and maintenance		7	5
Travelling expenses		212	253
Entertainment		3	1
Insurance		10	9
Depreciation	6.2	244	117
Advertisement		81	140
		21,678	19,705

30.1 Salaries, wages and amenities include Rs. 0.208 million (2018: Rs. 0.192 million) in respect of staff retirement benefits and Rs 0.016 million (2018: Rs 0.016 million) in respect of provident fund contribution.

(Rupees in thousand)	Note	2019	2018
31 Administrative and general expenses			
Salaries, wages and amenities	31.1	64,000	65,371
Director's remuneration		-	-
Rent, rates and taxes		252	258
Electricity, gas and water charges		14	14
Postage, telephone and fax		1,114	994
Printing and stationery		391	707
Books and subscription		831	60
Running and maintenance of vehicles		3,027	2,116
Repair and maintenance		126	86
Legal and professional charges		1,060	230
Travelling expenses		4,036	4,808
Entertainment		51	20
Auditors' remuneration	31.2	150	175
Insurance		192	173
Depreciation	6.2	4,643	2,219
Bad debts		45	-
Miscellaneous expenses		263	43
		80,196	77,274

31.1 Salaries, wages and amenities include Rs. 3.951 million (2018: Rs. 3.653 million) in respect of staff retirement benefits and Rs. 0.309 million (2018: Rs. 0.302 million) in respect of provident fund contribution.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Rupees in thousand)	Note	2019	2018
31.2 Auditors' remuneration			
Audit fee		150	175
Other professional services		-	-
		<u>150</u>	<u>175</u>
32 Other charges			
Charity and donation	32.1	48	5,525
WPPF		3,282	2,565
WWF		-	956
		<u>3,330</u>	<u>9,046</u>

32.1 Donations do not include any amount paid to any person or organisation in which a director or his spouse has any interest.

(Rupees in thousand)	Note	2019	2018
33 Other income			
Income from financial assets			
Mark-up / Interest income	33.1	1,602	891
Income from non-financial assets			
Scrap, waste and other sales - net	33.2	39,706	40,895
Exchange gain		4	-
Remission of liabilities		1	5,209
Gain on disposal of operating fixed assets	6.3	1,587	658
		<u>41,297</u>	<u>46,762</u>
		<u>42,900</u>	<u>47,653</u>
33.1 Mark-up / Interest income			
Interest income from banks		1,301	565
Mark-up income on staff loans		301	326
		<u>1,602</u>	<u>891</u>
33.2 Scrap, waste and other sales - net			
Gross sales		44,124	45,300
Less: Sales tax		(4,418)	(4,405)
		<u>39,706</u>	<u>40,895</u>
34 Finance cost			
Mark-up on long-term and short-term borrowings		148,095	100,525
Mark-up on liabilities against assets subject to finance lease		38	82
Bank commission and other charges		362	372
		<u>148,494</u>	<u>100,979</u>

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Rupees in thousand)

	Note	2019	2018
35 Provision for / (Reversal of) taxation			
Current			
- for the year	35.1	75,509	-
- prior years		705	-
		76,214	-
Deferred			
Origination and reversal of temporary differences		(75,176)	25,448
Impact of change in tax rate		-	(20,951)
		(75,176)	4,497
		1,038	4,497

35.1 This represents minimum tax at the rate of 1.25% of the turnover in accordance with section 113 of the Income Tax Ordinance, 2001 ("the Ordinance") and is then reduced by tax credit under section 65B of the Ordinance. A numerical reconciliation has not been presented because of application of minimum tax under section 113 of the Ordinance.

35.2 Tax charge for the year ended 30 June 2018 represent minimum tax payable under the Ordinance, and for this reason, relationship between tax expense and accounting profit has not been presented.

35.3 According to the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision according to the financial statements viz-a-viz tax assessment for last three years is as follows:

(Rupees in thousand)	Provision according to financial statements	Tax assessment
2018	-	-
2017	28,159	15,024
2016	22,265	20,813

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Rupees in thousand)		Note	2019	2018
36	Profit per share			
	36.1 Profit per share - basic			
	Profit for the year after taxation attributable to ordinary shareholders (Rupees in thousand)		<u>61,300</u>	<u>43,257</u>
	Weighted average ordinary shares in issue during the year (No. of shares)	16	<u>107,002,804</u>	<u>107,002,804</u>
	Basic earning per share (Rupees)		<u>0.57</u>	<u>0.40</u>
	36.2 Earnings per share - diluted			
	A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 June 2019 and 2018 which would have any effect on the earnings per share if the option to convert is exercised.			

(Rupees in thousand)		Note	2019	2018
37	Cash generated from operations			
	Profit before taxation		<u>62,337</u>	<u>47,754</u>
	Adjustments for non-cash and other items			
	Depreciation	6.2	<u>140,924</u>	<u>88,240</u>
	Gain on disposal of property, plant and equipment		<u>(1,587)</u>	<u>(658)</u>
	Provision for staff retirement benefits	20.1	<u>17,218</u>	<u>15,922</u>
	Exchange loss	33	<u>4</u>	<u>-</u>
	Remission of liabilities	33	<u>-</u>	<u>(5,209)</u>
	Mark-up / Interest income	33	<u>(1,602)</u>	<u>(891)</u>
	Finance cost	34	<u>148,494</u>	<u>100,979</u>
			<u>303,452</u>	<u>198,383</u>
			<u>365,789</u>	<u>246,137</u>
	Effect on cash flow due to working capital changes			
	Decrease /(Increase) in current assets			
	Stores, spares and loose tools		<u>204,178</u>	<u>(248,867)</u>
	Stock-in-trade		<u>162,035</u>	<u>(298,081)</u>
	Trade debts		<u>13,241</u>	<u>(6,923)</u>
	Loans and advances		<u>29,648</u>	<u>6,845</u>
	Trade deposits and short term prepayments		<u>(1,593)</u>	<u>719</u>
	Other receivables		<u>(108,258)</u>	<u>(129,789)</u>
			<u>299,251</u>	<u>(676,096)</u>
	Increase in current liabilities			
	Trade and other payables		<u>80,813</u>	<u>737,523</u>
	Cash generated from operations		<u>745,853</u>	<u>307,564</u>

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

38 Financial risk management

38.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) 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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Japanese Yen, Great Britain Pound and Euro. Currently, the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable from / payable to the foreign entities.

5% strengthening of Pak rupee as at 30 June 2019, assuming all other variables held constant, would have an immaterial effect on the equity and profit or loss.

(ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long-term and short-term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

(Rupees in thousand)	2019	2018
Fixed rate instruments		
Financial assets		
Loan against instalments	1,966	2,058
Financial liabilities	-	-
Net exposure	<u>1,966</u>	<u>2,058</u>
Floating rate instruments		
Financial assets		
Bank balances - savings accounts	13,355	8,500
Financial liabilities		
Long term financing	(493,044)	(605,375)
Short-term borrowings	(1,300,877)	(1,492,239)
Net exposure	<u>(1,780,566)</u>	<u>(2,089,114)</u>

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate financial instruments, at the year end date, fluctuates by 1% higher / lower, with all other variables held constant, post tax profit for the year would have been Rs. 12.642 million higher / lower, mainly as a result of higher / lower interest expense on floating rate instruments.

(iii) Other price risk

Other price risk represents 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investments in equity instruments traded in the market at the reporting date. The Company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks, trade and other receivables.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

(Rupees in thousand)	2019	2018
Trade debts	305	13,546
Advances, deposits and other receivables	3,612	2,001
Bank balances	40,252	16,567
	44,168	32,114

There is no impairment loss of trade receivables as at June 30, 2019 and 2018.

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it will not receive the amount due from the particular customer. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognised in the profit and loss account. The provision is written off by the Company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amount written off, are credited directly to profit and loss account.

(ii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

(Rupees in thousand)

	Rating		Rating Agency	2019	2018
	Short term	Long term			
Efu General Life Insurance Limited	-	AA+	PACRA	69	587
Habib Bank Limited	A1+	AAA	JCR-VIS	216	214
National Bank of Pakistan	A1+	AAA	PACRA	63	5
Bank Al-Habib Limited	A1+	AA+	PACRA	100	100
Soneri Bank Limited	A1+	AA-	PACRA	15,213	2,247
				15,660	3,153

Due to the Company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's business, the Board maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. The Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans.

The table below analyses the Company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

(Rupees in thousand)

At 30 June 2019	Carrying amount	Less than one year	One to five years	More than five years
Long-term financing	957,044	164,350	792,694	-
Short-term borrowings	1,429,877	1,429,877	-	-
Trade and other payables	1,071,526	1,071,526	-	-
	3,458,447	2,665,753	792,694	-
At 30 June 2018	Carrying amount	Less than one year	One to five years	More than five years
Long-term financing	605,375	151,344	454,031	151,344
Short-term borrowings	1,614,239	1,614,239	-	-
Trade and other payables	990,712	990,712	-	-
	3,210,326	2,756,295	454,031	151,344

38.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. However, the Company does not hold any quoted financial instrument.

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IFRS - 9: Financial Instruments.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Rupees in thousand)	2019	2018
38.3 Financial instruments by categories		
(a) Loans and receivables at amortised cost		
Assets as per statement of financial position		
Trade debts	305	13,546
Long-term deposits	4,171	4,171
Advances, deposits and other receivables	3,612	2,001
Cash and bank balances	40,252	16,567
	48,339	36,285
(b) Financial liabilities at amortised cost		
Liabilities as per statement of financial position		
Long-term financing	493,044	605,375
Trade and other payables	1,071,526	990,712
Short-term borrowings	1,429,877	1,614,239
	2,994,447	3,210,326

38.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

38.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares, obtain long term debt or sell assets to reduce debt.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investments requirements and expectation of the shareholders.

The Company manages capital by maintaining gearing ratio at certain levels. This ratio is calculated as long-term financing divided by total capital. Total capital is calculated as 'equity' as shown in the statement of financial position plus long-term financing.

The gearing ratio of the Company is as follows:

(Rupees in thousand)	2019	2018
Long-term financing - note 19	328,694	454,031
Total equity	948,161	889,725
Total capital	1,276,854	1,343,756
Gearing ratio	0.26	0.34

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

39 Remuneration of directors and executives

The aggregate amount charged in the financial statements for remuneration including all benefits to the Chief Executive, Directors and the Executives of the Company are as follows:

(Rupees in thousand)

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
Managerial remuneration	-	-	-	-	17,333	10,873
House rent	-	-	-	-	5,200	3,262
Utilities	-	-	-	-	1,733	1,087
Medical expenses	-	-	-	-	1,733	1,087
Others	-	-	-	-	144	153
	-	-	-	-	26,143	16,462
Number of person(s)	-	-	1	1	13	5

39.1 The comparatives have been amended to reflect the changes in the definition of executives as per the Companies Act, 2017

39.2 No remuneration has been paid to executive and non-executive directors for attending company meetings during the year ended 30 June 2019 and 2018.

40 Transactions with related parties

The related parties comprises Associated Undertakings, Other Related Group Companies, Directors of the Company, Key Management Personnel and Defined Contribution Plan (Provident Fund). The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to the related parties are shown under receivables and payables, amounts due from key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in (note- 40). Other significant transactions with the related parties are as follows:

(Rupees in thousand)

			2019	2018
40.1 Details of transaction with related parties				
Name	Nature of Relationship	Nature of Transactions		
Rupali Polyester Limited	Associated Company by virtue of common directorship and no holding	- Sales of goods - Purchase of goods	479,792 1,397,148	594,124 503,052
Rupali Nylon (Pvt.) Limited	Associated Company by virtue of common directorship and no holding	- Purchase of services	2,448	3,612
Soneri Bank Limited	Associated Company by virtue of common directorship and no holding	- Profit on Bank Deposits	1,301	565
Spintex Limited	Other related party and no holding	- Sales of goods - Purchase of goods - Loan obtained - Loan repaid	- 1,839 352,000 352,000	- 815 - -
Provident Fund Trust	Defined contribution plan	- Contribution	2,947	1,331

40.2 The Company continues to have a policy whereby all transactions with Related Parties and Associated Undertakings are entered into at arm's length prices using comparable un-controlled price method and cost plus method, wherever, appropriate. Further, contributions to the Defined Contribution Plan (Provident Fund) are made as per the terms of employment.

40.3 Particulars of transactions with worker's profit participation fund and staff retirement benefit plans are disclosed in note 24.1 of these financial statements.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Rupees in thousand)	2019	2018
40.4 Amount due from / (outstanding to) associated undertakings		
Rupali Polyester Limited		
- Purchase of goods	-	17

(Metric tons)	2019	2018
41 Plant capacity and actual production		
Annual capacity (in three shifts)		
- Yarn	16,060	16,060
- Chips	35,000	35,000
Actual production		
- Yarn	18,072	18,034
- Chips	24,328	24,548

41.1 The actual production of chips was, during the year, limited to actual demand and availability of raw material.

(In numbers)	2019	2018
41.2 Number of employees		
Total number of employees as at 30 June	1,227	1249
Average number of employees for the year ended 30 June	1,261	1165
Number of factory employees as at 30 June	1,160	1178
Average number of factory employees for the year ended 30 June	1,183	1092

42 Date of authorization for issue

These financial statements were authorized for issue on 21-Sep-2019 by the Board of Directors of the Company.

43 Corresponding figures

Corresponding figures have been rearranged and reclassified where ever necessary, for the purpose of comparison. There were no significant reclassifications / restatements to these financial statements during the year.

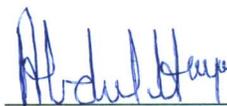
44 General

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

RCC



Nooruddin Feerasta
Managing Director



Abdul Hayee
Director